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No. 641

In the

Supreme Court of the United States

OCTOBER TERM, 1965.

AUTOMATION DEVICES, INC.,

Petitioner,

vs.

EDWARD A. SMALENBERGER, JR., individually and doing business as AUTOMATIC FEEDER COMPANY,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

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The Scheffer Press, Inc.—ANdover 3-6850

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Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

Petitioner prays that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Seventh Circuit, entered in the above-entitled cause on May 27, 1965, which was denied a rehearing on July 7, 1965.

OPINIONS BELOW.

The District Court's first oral opinion denied respondents' motion for summary judgment and dismissal and appears at pages 100-103 of Petitioners Appendix in the Court of Appeals.*

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* Record Citations are:

PA—Petitioners Appendix in the United States Court of Appeals for the Seventh Circuit.

RA—Respondents Appendix in the United States Court of Appeals for the Seventh Circuit.

The District Court's second oral opinion, which became the findings and conclusions, upon which Summary Judgment and dismissal were based is printed in the Petitioner's Appendix (PA 136-142). The Seventh Circuit Court of Appeals decision is reported at 346 F2d 288 and printed in the Appendix to this petition, along with the order denying rehearing. Also printed in the Appendix are the decisions of the Illinois Supreme Court in *Schulenberg* v. *Signatrol* which are unreported, but figure importantly in this petition.

JURISDICTION.

This Court's jurisdiction is based upon 28 U.S.C. 1254(1).

This petition is presented within ninety days from July 7, 1965, the date of the Court of Appeals decision denying rehearing of its original decision of May 27, 1965.

QUESTION PRESENTED.

Are State Laws, and particularly the decisions of the Illinois Supreme Court, which recognize the property in trade secrets and prohibit the appropriation of such trade secrets to copy unpatented products now unenforceable in view of the federal supremacy of the patent laws, as defined in *Sears, Roebuck & Co.* v. *Stiffel Co.*, 376 U.S. 225, and *Compco Corp.* v. *Day-Brite Lighting, Inc.*, 376 U.S. 234, which permit the copying of unpatented products?

STATEMENT.

Petitioner sued respondent, its former exclusive representative in Chicago, for the violation of a contract of March 14, 1959, resulting from the termination of their business relationship. The complaint was filed on June 5, 1961. Unfair competition was pleaded based upon

respondents' making of "Chinese" copies of petitioner's products, selling the same to the same customers, and using the same labels as previously used on petitioner's identical products. Jurisdiction was predicated on the diversity of citizenship between the parties. 28 USC 1332(a)(1).

The general charge of unfair competition was also based on the stipulated fact that respondent used petitioner's ex-employee in making the "Chinese" copies of automatic vibratory feeding equipment reading:

> "28. The Defendant, in June, 1957, employed one Charles Angerer, who for the six preceding years had been an employee of the Plaintiff in its plant in Erie, Pennsylvania. Mr. Angerer had devoted the bulk of his time while employed by the Plaintiff in the modification of the stock vibratory feeders and bowls for specific feeding problems. Until September, 1958, Mr. Angerer was engaged by the Defendant in adapting feeders from the stock consigned to the Defendant by Plaintiff, at Defendant's place of business in Rock Falls, Illinois, operated under the name of Eas-E-Way Products Company. In September of 1958, Mr. Angerer assisted in the preparation of patterns, tools, jigs, and fixtures for the vibratory small parts feeders to be manufactured and sold by Defendant." (PA. 113-114) (Emphasis supplied throughout this petition unless otherwise indicated)

In further support of the charge of appropriating trade secrets, the ex-employee's testimony explains:

> "Q. Yes. Now are those blank bowls all alike, no matter whether they are on a Syntron or a Perry or an Afco or some other make feeder?

"A. When you say they are all alike, yes and no. Some feeders you can take one bowl and put it on a Type A feeder, but it will not operate functionally on a Type B feeder because of the weight involved or the unit isn't powerful enough to operate. So you have to have a different unit under different types of bowls." (RA 59)

In addition he testified that while working for petitioner he worked at waxing petitioner's patterns (R.A. 62), employed different materials for different purposes (R.A. 63), and had particularly used Devcon plastic in building patterns (R.A. 64). He summarized by stating he used the same techniques when employed by respondent to copy petitioner's products saying:

"Q. And that was what you did for Smalenberger, too, was it not?
"A. Yes, that is right." (R.A. 64-65)

A motion for summary judgment and dismissal was denied on May 7, 1963, the District Court commenting:

"In the first place, I think this is a case in which the principal parties should appear before the Court and testify. I do not think it should be tried on depositions nor on affidavits." (P.A. 101)

Thereafter this Court rendered its decisions in *Sears* and *Compco*. The District Court was again moved to dismiss the case and did so, on June 23, 1964. (P.A. 133)

The original appeal and petition for rehearing urged that a material issue of fact had been raised, and that petitioner was entitled to a trial on the issue of trade secrecy. The Court of Appeals held, as to the trade secret issue:

"We have carefully considered all of plaintiff's arguments, but believe it unnecessary to comment on each in detail. We find them lacking in merit.",

and on rehearing based solely on the trade secret issue held:

> "IT IS ORDERED by the Court that the petition for a rehearing of this cause be, and the same is hereby DENIED."

The District Court, and the Court of Appeals in affirming the decision of the District Court, both refused to comment at all on the trade secret issue, or the controlling Illinois law in *Schulenburg* v. *Signatrol* (this appendix). Both Courts relied exclusively on the decisions of this Court in *Sears* and *Compco*.

No trial was had.

REASONS FOR GRANTING THE WRIT.

1. The failure of the Seventh Circuit to recognize that *Sears* and *Compco* did not sanction copying unpatented products by employing trade secrets, or other illegal means, could affect the laws of 50 states.

The best evidence of the recognition of a right in a trade secret is contained in the Restatement of Torts, Section 757:

> "*Definition of a trade secret.* A trade secret may consist of any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it.
>
> • • •
>
> "*Secrecy.* The subject matter of a trade secret must be secret. Matters of public knowledge or of general knowledge in an industry cannot be appropriated by one as his secret. Matters which are completely disclosed by the goods which one markets cannot be his secret."

The State and Federal Courts have followed the Restatement proposition; a few recent holdings are exemplary:

> *Sarkes Tarzian, Inc.* v. *Audio Devices, Inc., et al.*, 283 F2d 695 affg. 166 F Supp. 250 (CA 9, 1960); *The B. F. Goodrich Company* v. *Wohlgemuth*, 192 NE 2d 99 (Ohio Ct. affg., 1963); *E. I. duPont de Nemours & Co.* v. *American Potash & Chemical Corp.*, 200 A 2d 428 (Del. Chan. Ct. New Castle Cty, 1964); *Servo Corp. of America* v. *General Electric Co.*, 337 F2d 716 (CA 4, 1964); *Sperry Rand Corporation* v. *Rothbein et al.*, (DC Conn, 1964) 143 USPQ 172; *Colgate Palmolive Company, et al.* v. *Carter Products, Inc. et al.*, 230 F2d 855 affg. 130 F Supp. 557 (CA 4, 1956).

It is noteworthy that the Illinois Supreme Court has, in *Schulenburg,* distinguished *Sears* and *Compco.* There the Court pointed out that even though the finished product was unpatented, and could be copied by legal means, one could not take advantage of a confidential relationship and pirate another's trade secrets without responding in damages. Other Courts of Appeals have also distinguished *Sears* and *Compco* on similar facts: See *Servo Corporation of America* v. *General Electric Co.,* 337 F2d 716 (CA 4, 1964). The Court of Appeals for the Seventh Circuit, however, has refused to accept the distinction, by refusing to face the issue.

Trade secrets, know-how, blueprints, special tooling techniques, hardening procedures, mold, tool, die, and jig constructions and a whole host of formulae are valuable property, vital in present day production. To deny a property right therein without investigating the facts as here, threatens the entire business community with uncertainty as to its heretofore presumed rights in know-how and trade secrets. Indeed, the sweeping nature of the interpretation of *Sears* and *Compco* by the District Court in this very case raises the question of whether a covenant not to compete can be escaped by making "Chinese" copies when the Court held:

> "The court has very carefully studied the *Sears* and *Compco* cases cited above and concludes that where an item is unprotected by a patent or copyright it is against Federal policy to accord the item any other kind of protection, be it State Statute, proscribed by those cases, or contract of parties." (P.A. 138)

Only this Court can detail the rules regarding trade secrets and other acts which survive *Sears* and *Compco.* Failure to do so will surely witness a further compounding of the confusion witnessed in this case.

2. This Court's last basic ruling on the issue of trade secrecy was in 1917, followed by almost a half century of exploding technology. In *E. I. duPont de Nemours Powder Company* v. *Masland*, 244 U.S. 100, Mr. Justice Holmes pointed out:

> "Whether the plaintiffs have any valuable secret or not the defendant knows the facts, whatever they are, through a special confidence that he accepted. The property may be denied, but the confidence cannot be. Therefore the starting point for the present matter is not property or due process of law, but that the defendant stood in confidential relations with the plaintiffs, or one of them."

Is this still the law today? Must the relationship spring from contract? If so must the contract be written or oral? May the wrong be excused if the secret is not the subject of a patent application? Is it more important that a man be free to use his skills, even though acquired in confidence than it is to protect his teacher who in return for the protection of the secret, upgrades the skills of his employees?

This case is an ideal vehicle for this Court to announce the guideposts for the business community as to the above questions, since it has not been tried. Nevertheless, the stipulation of fact implies a relationship of trust, a learning of special techniques and know-how, and certainly the opportunity to employ the same for respondent in making copies of petitioner's unpatented products. In reviewing this case, therefore, this Court is not restricted by the particular facts in a case which had been tried. It may be free to define the law, as best fits today's technology for the ultimate public good to be realized from the protection of trade secrets.

3. The decision of the Court of Appeals in ignoring the issue of trade secrecy for which a trial is sought overlooks the Illinois law which it must follow pursuant to *Erie Ry.* v. *Tomkins,* 304 U.S. 64, (1938). It furthermore fails to consider this Court's dictates in *Conoly* v. *Gibson,* 355 U.S. 41 where it was held that a case may be dismissed only ". . . if it appears without a doubt that the plaintiff can prove no set of facts in support of his claim which would entitle him to relief."

In *Sears* this Court commented in footnote 2:

> ". . . The Court of Appeals by holding that because Illinois forbids misleading use of trade names it also forbids as unfair competition the mere copying of an article of trade without any palming off, thus appears to have extended greatly the scope of the Illinois law of unfair competition beyond the limits indicated in the Illinois cases and beyond any previous decisions of the Seventh Circuit itself. Because of our disposition of these cases we need not decide whether it was correct in doing so."

As will be noted from the appendix, the very converse appears in this case. Now the Supreme Court of Illinois has exhaustively reviewed the law of ex-employee relationship to the doctrine of trade secrecy. Now the Court of Appeals refuses to follow the controlling Illinois law.

It is noteworthy the Supreme Court of the State of Illinois reversed itself between January 19, 1965 and September 28, 1965. Obviously the interpretation of *Sears* and *Compco* was the fulcrum which pivoted the reversal. This proves the effect which *Sears* and *Compco* have had and will continue to have, unless this Court specifies in greater detail the illegal acts in copying unpatented products which remain actionable.

CONCLUSION.

For the foregoing reasons it is respectfully requested that this petition for a writ of certiorari be granted.

Respectfully submitted,

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APPENDIX.

IN THE
UNITED STATES COURT OF APPEALS
For the Seventh Circuit

SEPTEMBER TERM, 1964—APRIL SESSION, 1965

No. 14832
AUTOMATION DEVICES, INC.,
Plaintiff-Appellant,
v.
EDWARD A. SMALENBERGER, JR.,
individually and doing business
as AUTOMATIC FEEDER COMPANY,
Defendant-Appellee.

Appeal from the United States District Court for the Northern District of Illinois, Eastern Division.

May 26, 1965.

Before HASTINGS, *Chief Judge,* and KNOCH and CASTLE, *Circuit Judges.*

KNOCH, *Circuit Judge.* This was an action for breach of contract and unfair competition.

Plaintiff and defendant had settled their differences by a mutual release agreement designed to settle and discharge all obligations between them.

Plaintiff brought this action to recover damages caused by defendant's alleged violations of that agreement.

In the agreement, defendant, who had been plaintiff's exclusive sales representative, agreed not to represent to any customer or prospective customer that he was plaintiff's agent or plaintiff's authorized representative. He

agreed further to refrain from conduct which would reasonably lead such a customer or prospective customer to believe that the devices sold by defendant were manufactured or produced by plaintiff unless they were in fact so manufactured or produced.

There was extensive discovery and numerous pre-trial conferences. Most of the pertinent facts were stipulated. There was a comprehensive pre-trial order.

Shortly after the action of the United States Supreme Court in *Sears, Roebuck & Co.* v. *Stiffel Co.*, 1964, 376 U.S. 225, reversing *Stiffel Co.* v. *Sears, Roebuck & Co.*, 7 Cir., 1963, 313 F. 2d 115, and *Compo Corp.* v. *Day-Brite Lighting*, 1964, 376 U.S. 234, reversing *Day-Brite Lighting, Inc.* v. *Compco Corp.*, 7 Cir., 1962, 311 F. 2d 26, defendant renewed his motion for summary judgment and dismissal which had been denied in May, 1963. In the cases cited above, the U.S. Supreme Court in effect ruled that a state statute could not render manufacture of a "Chinese" copy of an article unfair competition when that article was unprotected by patent or trademark. The District Court allowed the motion. The plaintiff's complaint was dismissed and this appeal followed.

It is plaintiff's view that defendant has admitted a breach of the contract in his description of his manner of operating his business; that defendant has made "Chinese" copies of plaintiff's products on which defendant has continued to use a label deceptively similar to the label used by plaintiff and similar to the label used by the defendant on plaintiff's products prior to the settlement agreement; and that defendant has advertised in the telephone "Red Book," trade literature and catalogs that he still handles plaintiff's products.

There is no issue of patent infringement.

The devices involved here are vibratory feeders whereby parts such as washers or bolts are conveyed by vibratory impulses imparted to a hopper bowl by a power unit. Auxiliary equipment and operating controls are fre-

quently made a component part of the basic power unit and housing assembly by some manufacturers such as Syntron Company of Homer City, Pennsylvania, as well as by defendant.

Both plaintiff and defendant are now licensees of Syntron Company, which was the originator of the vibratory feeders made by the plaintiff and defendant. Syntron was making and selling these devices in 1946. Plaintiff was organized in 1956 to acquire and continue the business of Perry Equipment & Engineering Co. The Vibratory Feeder Co. and Peeco (Perry Equipment & Engineering Co.) were designated as divisions of plaintiff. The parties stipulated that:

> The VFC Division sells standard "off-the-shelf" parts from a catalog. The Peeco Division "purchases" such parts from the VFC Division, and modifies the same for sale to the customer as a completed job for vibratory feeding.

It was further stipulated that:

> In 1948, the Perry partnership was a sales firm selling industrial equipment manufactured by others, including the sale of vibratory parts feeders manufactured by the Syntron Company of Homer City, Pennsylvania. Until sometime in August of 1955, the Perry partnership continued to purchase vibratory parts feeders components from Syntron. The parts feeders components so purchased from Syntron included both drive units and the housing or covers therefor as an integral unit. Thereafter, the Vibratory Feeder Company (VFC) was organized to manufacture vibratory feeder components, including drive units, housing or shells, blank bowl designs, and associated items which were purchased from it by the Perry Company. Some deliveries of such components were made by Syntron during the succeeding six months to plaintiff or its predecessor.

The resemblance between the devices made by plaintiff and defendant is not surprising as both are copied from Syntron's devices. Several of Syntron's patents have now expired.

Defendant's unit was first made and sold by defendant prior to March 14, 1959, the date of the release agreement with which we are concerned.

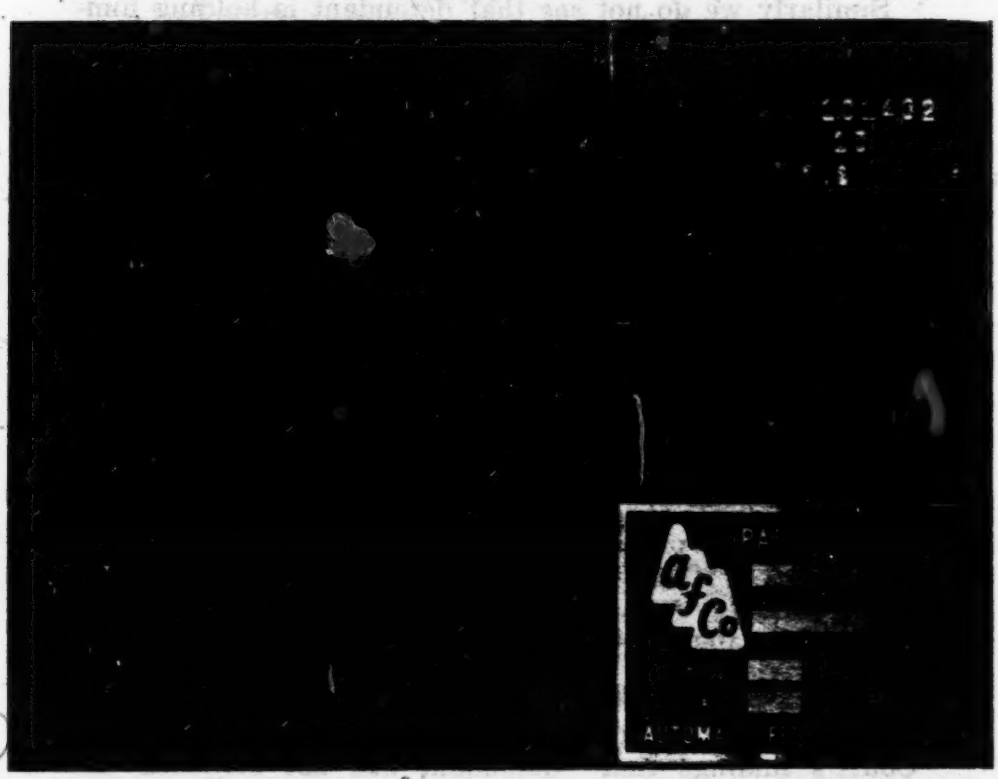
While defendant was plaintiff's representative, defendant stocked an inventory of consigned equipment from plaintiff. Defendant sold some items to defendant's own Eas-E-Way Products Co. which took the standard vibratory small parts feeders and tooled them specifically for specific customers' needs. The Eas-E-Way Co. became a licensee of plaintiff and was encouraged to brand-name plaintiff's products under its own name.

It was plaintiff's policy to encourage purchasers to name brand the products purchased from plaintiff so that the products appeared to have been manufactured by the purchasers. A letter dated November 15, 1955, from Perry Equipment & Engineering Co. to all its representatives said of prospective purchasers that "it will be with our blessing that he name brand any and all units that he purchases from us" permitting such purchaser "to become in a small sense a competitor * * * thereby hoping to obtain a greater dollar volume."

Although plaintiff stipulated that there are no trademark regulations involved, plaintiff argues that it has a property right in the Syntron originated devices by virtue evidently of its release agreement with defendant.

Much has been made of the misleading similarity of the name plates. Plaintiff's Exhibit 15 shows them as follows:

PLAINTIFF'S EXHIBIT 15



Plaintiff's plate is green and defendant's blue. The defendant's use of his plate was well known to plaintiff prior to the execution of the release agreement of March 14, 1959.

We do not find persuasive plaintiff's arguments to the effect that defendant's continued use of his own name plate on his own devices constitutes a breach of his agreement because he previously used the same plate on plaintiff's devices with plaintiff's approval.

Similarly we do not see that defendant is holding himself out as an authorized representative of plaintiff's when defendant offers for sale "rebuilt VFC-Peeco," "VFC" and "Peeco" feeders. There was evidence that plaintiff itself had sold units to defendant after the date of the agreement without limitations on use.

We disagree with plaintiff that the District Court erred in refusing to allow a tardy motion to amend the complaint by insertion of new issues based on facts which plaintiff knew or should have known long before, after what the District Judge described as "extremely involved and seemingly interminable proceedings • • • culminating in a stipulation of facts, pre-trial order and the respective statements by plaintiff and defendant of the issues of law and fact, preparatory for trial." We find no abuse of the Court's discretion here. *Switzer Bros. Inc.* v. *Chicago Cardboard Co.*, 7 Cir., 1958, 252 F. 2d 407, 412; *Fisher* v. *Hartford Accident & Indemnity Co.*, 7 Cir., 1964, 329 F. 2d 352, 354.

There was no genuine issue of material fact. The stipulation, pleadings, and exhibits support the District Court's findings that "defendant has not breached the agreement or violated any tenable legal right asserted by the Plaintiff." Rule 56, Federal Rules of Civil Procedure; *Egan* v. *City of Aurora*, 7 Cir., 1960, 275 F. 2d 377, 379; *Parmalee Transport Co.* v. *Keeshin*, 7 Cir., 1961, 292 F. 2d 794, 797.

We have carefully considered all of plaintiff's arguments, but believe it unnecessary to comment on each in detail. We find them lacking in merit. The District Court's judgment is affirmed.

AFFIRMED.

UNITED STATES COURT OF APPEALS
For the Seventh Circuit
Chicago, Illinois 60610

Wednesday, July 7, 1965

Before
Hon. John S. Hastings, Chief Judge
Hon. Win G. Knoch, Circuit Judge
Hon. Latham Castle, Circuit Judge

AUTOMATION DEVICES, INC.,
Plaintiff-Appellant,
vs.
EDWARD A. SMALENBERGER, JR., et al.,
Defendants-Appellees.

No. 14832

Appeal from the United States District Court for the Northern District of Illinois, Eastern Division.

It Is Ordered by the Court that the petition for a rehearing of this cause be, and the same is hereby, Denied.

PETITION FOR REHEARING ALLOWED MAY 20, 1965

Dissenting opinion of Justice Underwood filed upon denial of petition for rehearing May 19, 1965 (Justice Schaefer joins in the dissent).

Docket No. 38849—Agenda 19—January, 1965.

Edward J. Schulenburg, *et al.*, Appellees, v. Signatrol, Inc., *et al.*, Appellants.

Mr. JUSTICE SOLFISBURG delivered the opinion of the court:

This case involves the questions of trade secrets, unfair competition and injunctive relief. Plaintiff E-S Industries, Inc., successor to Time-O-Matic, manufactured and sold certain devices commonly called flashers and used primarily in the sign industry to cause light to flash in such a manner as to animate the sign in various patterns or designs. The individual defendants were all former employees of said plaintiff who left to form their own competing company to manufacture and sell flashers. Plaintiffs filed suit against the defendants charging unfair competition by violation of a trade secret and requesting injunctive relief and damages. The trial court found the issues for the plaintiffs and issued an injunction restraining the defendants from the further manufacture and sale of competing flashers. The question of damages was postponed pending appeal. The Appellate Court affirmed (50 Ill. App. 2d 402), and we granted leave to appeal.

In 1932 the plaintiff Edward J. Schulenburg, Sr., went to work for Sangamo Electric Company at Springfield, Illinois, as head of its flasher and timer division and held that position until 1945 when he purchased all of the assets of the flasher and timer division for the sum of $2,718.61. He moved the operation to Danville, Illinois, under the name of Time-O-Matic Company. Defendant J. W. Sutphin had been an employee of Sangamo and when he returned from military service in 1945 he was

employed by Time-O-Matic. Sutphin continued in the employ of Time-O-Matic to January, 1959 when he and the plaintiff Schulenberg had a disagreement of policy concerning the operation of the company and he resigned. Signatrol, Inc. was organized by defendant Sutphin in March, 1959, to manufacture and sell flashers.

The defendant Bachman had been employed by Time-O-Matic since 1947, designing special equipment and assisting in sales work. Bachman left Time-O-Matic in the middle of March, 1959, after a disagreement with Schulenburg and joined the new corporation with Sutphin. The defendants McNarama and Walker had also been employees of Time-O-Matic for several years, McNamara as purchasing agent and Walker in the engineering department. Both of them asked Sutphin whether they could join his organization and in April, 1959, McNamara left Time-O-Matic and joined Signatrol as its purchasing agent and the following June, Walker also joined Signatrol.

The flashers produced by the plaintiffs are not patented nor is there any contention that the flasher itself or the method of assembling the flasher is a trade secret. Indeed, neither the plaintiffs nor defendants are true manufacturers but actually buy the motors, gears, side plates, switches and other parts which they assemble. Many of these parts are regular catalogue items furnished by suppliers and can be ordered by anyone. For that matter, anyone may legally duplicate the plaintiffs' product and go into business in competition with the plaintiffs in the manufacture and sale of electric flashers. The Supreme Court of the United States has held that no State may, by laws dealing with unfair competition, impose damages or enjoin the copying, manufacturing and sale of an article which is protected by neither a Federal patent nor a copy-right. *Sears, Roebuck & Co.* v. *Stiffel*, 376 U.S. 225, 11 L. ed. 2d 661; *Compco Corp.* v. *Day-Brite Lighting*, 376 U.S. 234, 11 L. ed. 2d 669.

Plaintiffs allege, however, that their manufacturing "know-how" is a trade secret which was imparted in

confidence to defendants while employees and that such secret has been used by them in manufacturing a completing product. Defendants deny utilization by them of any such secret, in fact they deny its very existence. The trial and Appellate courts held that the information, measurements, designs and material specifications contained on plaintiffs' blueprints or drawings and used in the manufacturing process qualified as a trade secret. They further found that defendants copied or memorized the information contained on these blueprints and drew on such knowledge in making up their own blueprints to be used in the manufacture of their product.

The three issues presented by this appeal are (1) Was there a trade secret? (2) Did the defendants violate a trade secret? and (3) Was the injunctive relief appropriate?

The trial and Appellate courts concluded that the manufacturing "know-how" contained on the plaintiffs' blueprints or drawings were trade secrets in view of the fact that they were kept confidential and that plaintiffs considered such a secret and attempted reasonably to keep it so. In this connection, it must be pointed out that the blueprints were customarily submitted to several suppliers by the plaintiffs in order to secure the most favorable bids for the manufacture of parts; no effort was made by the company to keep the information on such plans and blueprints secret; the suppliers were never advised that the plans contained any secret information; they were never requested to keep the information on the plans secret; and the plaintiffs never requested a return of the blueprints and plans from suppliers to whom the were sent. The electrical principle involved is well known and plaintiffs' unpatentable product is for sale and anyone can buy it. Anyone reasonably skilled in the art, could, without difficulty, duplicate plaintiffs' flasher from an examination of the flasher itself and lawfully engage in a competing business.

In order to constitute a trade secret which will be protected by injunction there must be a plan, process,

tool, machine or compound known only to the owner and those employees to whom it is necessary to confide in secret. Therefore, a process commonly known in the trade is not a trade secret entitled to injunctive protection, and matters which are generally known in the trade or readily discernible by those in the trade cannot be made secret by being so labeled. (*Victor Chemical Works* v. *Iliff*, 299 Ill. 532; *Sarkes Tarzain, Inc.* v. *Audio Devices, Inc.*, 166 F. Supp. 250, 265 (D. Cal. 1958), aff'd 283 F. 2d 695 (9th cir. 1960), *cert.* denied 365 U.S. 869, 5 L. ed. 2d 859.) Here there is ample evidence in the record to show that the information conveyed to defendants was of such a nature that it was generally known in the trade. In addition, none of the employees were ever told that the plans were secret or confidential, no secrecy agreement was ever required of any employee and no employee was required to enter into any restrictive covenant not to engage in any competitive business with plaintiff.

The Restatement of Torts contains a comprehensive treatment of the principles concerning liability for disclosure or use of others' trade secrets. In section 757 of the Restatement of Torts under comment b it is stated as follows:

"*Definition of a trade secret.* A trade secret may consist of any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it.

* * *

"*Secrecy.* The subject matter of a trade secret must be secret. Matters of public knowledge or of general knowledge in an industry cannot be appropriated by one as his secret. Matters which are completely disclosed by the goods which one markets cannot be his secret."

Defendants are accused of copying or memorizing necessary information and using it in their manufacturing process in competition with their former employers. The

Appellate Court quoted, with approval, the memorandum opinion of the trial court which states: "By defendants' own statement they carried away from plaintiffs mental pictures of the plaintiffs' drawings, and specifications, and from that mental picture they reproduced it upon paper—an accurate copy of the original. It was no more or less than a copy made from the original. * * * The human eye is but a photographic lens, and the mind is the film. Through the lens the object is exposed to the sensitive film, the mind. * * * These mental pictures were obtained while in plaintiffs' employment, and to carry them away in this manner was a violation of a confidence reposed in them by their employer, as if they had made copies or photographs and carried them away."

The law is well settled that an employee, upon terminating his employment, may carry away and use the general skill or knowledge acquired during the course of the employment. "[E]quity has no power to compel a man who changes employers to wipe clean the slate of his memory." (*American Cleaners and Dyers* v. *Foreman,* 252 Ill. App. 122; *Peerless Pattern Co.* v. *Pictorial Review Co.,* 147 App. Div. 715, 132 N.Y.S. 37, 39.) In *American Cleaners and Dyers* v. *Foreman,* 252 Ill. App. 122, the court reversed an injunction against defendants who were former route drivers for a laundry and dry cleaning firm who went to work for a competing laundry and solicited their old customers whose names and addresses they had remembered.

A 1958 federal case, *Sarkes Tarzain, Inc.* v. *Audio Devices,* 166 F. Supp. 250, contains an excellent statement of the information which an employee has the right to carry away and use in competition with his former employer:

"Of necessity, whenever a change of employment of this type occurs and former employees enter into the employ of another with whom they engage in a competitive business, it is inevitable that some of the knowledge acquired while in the employ of the other should be made

available to the new employer. But, as already appears, the courts will not deprive the employee of the right to use the skill he developed through the years.

• • •

"So there is agreement among the courts that, except, where real trade secrets are involved, an employee may compete with his former employer and with such knowledge and skill as he has developed in the former's employ."

The only permissible restriction affording injunctive relief in this case is the unlawful violation of a definite trade secret. The plaintiff's blueprinted "know-how" does not qualify under the circumstances as a trade secret. Therefore the defendants could not have been guilty of unfair competition, for the plaintiff's claim of trade secret does not meet the qualifications of the law.

Since we have held that defendants are not guilty of wrongfully using a trade secret, we need not pass upon the scope of the injunction. However, we feel it fitting to note that the injunction granted is unlimited either as to time or geographic area. It amounts to a perpetual injunction from engaging in the electric flasher business and affords more relief than even a patent or restrictive covenant could have afforded under the law. Such an injunction even in an appropriate case would be far too broad.

For the reasons stated, the judgment of the Appellate Court is reversed, and the cause is remanded to the trial court, with directions to dismiss the complaint.

Reversed and remanded, with directions.

Mr. Justice Underwood, dissenting:

That the dimensions, tolerances, positions and relationships, metallurgical qualities and other specifications of plaintiffs' products contained in various blueprints, plans and drawings do not constitute trade secrets and are not entitled to protection as such is a holding with which I cannot agree.

The controlling definition of a trade secret in Illinois is supplied by *Victor Chemical Works* v. *Iliff*, 299 Ill. 532, 540, where this court said that it is "[A] secret *plan* or process, tool, mechanism or compound known only to its owner and those of his employees to whom it is necessary to confide it." (Emphasis added.) The initial requirement that the plan, tool, *etc.*, be regarded as a secret has been found to exist by both the trial and appellate courts herein. There is ample evidence in the record to support these findings, and they should not be disturbed here. Hence, the only question presented to this court is whether, notwithstanding the fact that the parties treated the information contained in the blueprints as containing confidential material, it nevertheless does not amount to a trade secret.

In *Smith* v. *Dravo Corp.*, 203 F. 2d 369, 7th cir. 1953, decided under the law of Pennsylvania and relied upon by both the trial and appellate courts herein, it was held that information contained in blueprints and patterns did qualify as a trade secret, even though the finished product was on the market (and could, as plaintiffs concede here, be copied by legal means), and literature had been distributed to the industry partially disclosing the product's design. The reasoning of that opinion is, in my judgment, most persuasive here.

The majority cite *Sears, Roebuck & Co.* v. *Stiffel*, 376 U.S. 225, 11 L. ed. 2d 661, 84 S. Ct. 784, and *Compco Corp.* v. *Day-Brite Lighting*, 376 U.S. 234, 11 L. ed. 669, 84 S. Ct. 779, for the proposition "that no state may, by laws dealing with unfair competition, impose damages or enjoin the copying, manufacturing and sale of an article which is protected by neither a Federal patent nor a copyright." In a proper case, I would have no trouble with this statement. However, reading of *Sears* and *Compco* clearly indicates that they are inapposite here. There, the defendants had copied the plaintiffs' unpatentable products by legal means. No problem concerning trade secrets was present. Plaintiffs here readily concede that their finished products may be copied by

legal means, (such as acquiring one of the finished products and measuring and analyzing it, until a copy can be produced), but maintain that employees in positions of confidence may not surreptitiously copy plaintiffs' blueprints while in their employ and subsequently use them to establish a competing business. *Sears* has in fact been distinguished on this very basis, in *Servo Corporation of America* v. *General Electric Co.* (4th cir., 1964), 337 F. 2d 716. It was there held that one could not take advantage of a confidential relationship and pirate another's trade secrets without responding in damages—even though the finished product was unpatentable and could be copied by legal means.

A holding that the confidential information contained in these blueprints does not constitute a trade secret is, I believe, incompatible with the practical problems inherent in attempting to copy a product from examination of the product itself. The measurements, tolerances, quality of material, *etc.*, cannot ordinarily be discovered by these means without expensive and time-consuming analyses. Plaintiffs have gone through this process by trial and error and have preserved the information thus acquired in working drawings and blueprints. Defendants, however, have chosen to capitalize upon their positions of trust—to clandestinely acquire the blueprints and reproduce them exactly. (There is evidence in the record indicating that when some of defendant's drawings are superimposed over plaintiffs' corresponding ones, they match exactly—even to the positioning of the lettering thereon. Better evidence of copying would be hard to obtain. In fact, defendants have even copied some of the plaintiffs' mistakes.)

It is clear that an employee may take with him, at the termination of his employment, general skills and knowledge acquired during his tenure with the former employer. It is equally clear that the same employee may not take with him confidential particularized plans or processes developed by his employer and disclosed to him while the employer-employee relationship exists, which

are unknown to others in the industry and which give the employer advantage over his competitors. The facts and circumstances in a particular case sometimes necessitate the drawing of a fine line of distinction in determining which rule should properly apply. Suffice it to say here that, in my judgment, the facts and circumstances indicated herein fall well within the contemplation of the latter rule.

It should, moreover, make no difference whether the information contained in the blueprints, if it qualifies as a trade secret (which in my judgment it does), has been pilfered by tracing the blueprints themselves (as some testimony herein indicates or has been memorized by someone with a photographic memory, or has been committed to memory by constant exposure to the prints while in the employ of plaintiffs. This record is replete with evidence leading to but one conclusion, *i.e.*, that these defendants have surreptitiously taken the particularized information contained in plaintiff's blueprints and have employed it to establish a competing business. Even today's "morals of the market place" are more demanding than this, and should not be relaxed by this court, I would affirm the judgments of the trial and appellate courts on the trade secret question.

The bothersome aspect of the trial and appellate court decisions is the scope of the injunction that has been issued. It does not restrict its application as to time or geographical area. Defendants have, in effect, been put out of business for all time, everywhere. This is clearly not necessary to make plaintiffs whole as it is conceded by them that their products may legally be copied by competitors. Since defendants might have reproduced plainiffs' flasher in this fashion, it is difficult to justify prohibition of such reproduction for a period of time longer than that required to duplicate the product by lawful means. The record contains no indication of the time so required, but such fact should be readily ascertainable since a Minnesota firm did legally copy plaintiffs' product. I would accordingly deem it appropriate to modify the injunction so as to limit its duration to the

period of time reasonably required for plaintiffs to legally produce such copies, and remand the cause for a determination thereof, as well as the question of damages reserved by the trial court for future consideration. If the evidence established that the period of time required for reproduction of the flasher by lawful means, computed from the date defendants first commenced production, has now expired, the injunction order should be vacated.

I would, therefore, affirm the trial and appellate courts' determinations on the trade secret issue and remand for a consideration of the questions as to damages and modification of the injunction.

Mr. Justice Schaefer joins in this dissent.

Docket No. 38849—Agenda 28—May, 1965.

Edward J. Schulenburg, *et al.*, Appellees, v. Signatrol, Inc., *et al.*, Appellants.

Mr. Justice Solfisburg delivered the opinion of the court:

This case involves the questions of trade secrets, unfair competition and injunctive relief. Plaintiff E-S Industries, Inc., successor to Time-O-Matic, manufactured and sold certain devices commonly called flashers and used primarily in the sign industry to cause lights to flash in such a manner as to animate the sign in various patterns or designs. The individual defendants were all former employees of said plaintiff who left to form their own competing company to manufacture and sell flashers. Plaintiffs filed suit against the defendants charging unfair competition by violation of a trade secret and requesting injunctive relief and damages. The trial court found the issues for the plaintiffs and issued an injunction restraining the defendants from the further manufacture and sale of competing flashers. The question of damages was postponed pending appeal. The appellate court affirmed (50 Ill. App. 2d 402), and we granted leave to appeal.

In 1932 the plaintiff Edward J. Schulenburg, Sr., went to work for Sangamo Electric Company at Springfield, Illinois, as head of its flasher and timer division and held that position until 1945 when he purchased all of the assets of the flasher and timer division for the sum of $2,718.61. However, this amount is unimportant for since that time many blueprints, plans, specifications and drawings have been revised or added over the years by the plaintiff to perfect the flasher. In fact, there now are approximately 15,000 drawings of various types. He moved the operation to Danville, Illinois, under the name of Time-O-Matic Company. Defendant J. W. Sutphin had been an employee of Sangamo and when he returned from military service in 1945 he was employed by Time-O-Matic until January, 1959, when he and the plaintiff

Schulenburg had a disagreement of policy concerning the operation of the company and he resigned. Signatrol, Inc. was organized by defendant Sutphin in March, 1959, to manufacture and sell flashers.

The defendant Bachman had been employed by Time-O-Matic since 1947, designing special equipment and assisting in sales work. Bachman left Time-O-Matic in the middle of March, 1959, after a disagreement with Schulenburg and joined the new corporation with Sutphin. The defendants McNamara and Walker had also been employees of Time-O-Matic for several years, McNamara as purchasing agent and Walker in the engineering department. Both of them asked Sutphin whether they could join his organization and in April, 1959, McNamara left Time-O-Matic and joined Signatrol as its purchasing agent and the following June, Walker also joined Signatrol.

The flashers produced by the plaintiffs are not patented nor is there any contention that the flasher itself or the method of assembling the flasher is a trade secret. Indeed, neither the plaintiffs nor defendants are true manufacturers, but actually buy the motors, gears, side plates, switches and other parts which they assemble. Many of these parts are regular catalogue items furnished by suppliers and can be ordered by anyone. For that matter, anyone may legally duplicate the plaintiffs' product and go into business in competition with the plaintiffs in the manufacture and sale of electric flashers.

Plaintiffs allege, however, that their manufacturing "know-how" is a trade secret which was imparted in confidence to defendants while employees and that such secret has been used by them in manufacturing a competing product. Defendants deny utilization by them of any such secret, in fact they deny its very existence. The trial and appellate courts held that the information, measurements, designs and material specifications contained on plaintiffs' blueprints or drawings and used in the manufacturing process qualified as a trade secret. They further found that defendants copied or memorized

the information contained on these blueprints and drew on such knowledge in making up their own blueprints to be used in the manufacture of their product.

The trial judge in his memorandum opinion stated the issues involved in the following language:

"Signatrol, Inc. was organized by the foregoing defendants in March 1959, and by the latter part of June, 1959, were (sic) engaged in the production of electric flashers. Their product was to serve the same purpose as plaintiff's (sic) product, and was very similar to the product of the plaintiffs. However, similarity of products is not the controlling test which is determinative of the issues in this case, but is a factor to be considered. The question of infringement of patents is not involved. The real question is whether or not the individual defendants, or some of them, either traced, copied or reproduced Time-O-Matic plans, drawings, prints, designs, or carried away in their minds information as to the same so that they could reproduce them from their memory, provided further that such information was such as would be classed as a 'trade secret'." The determinative question here is, how did the defendants go about reproducing the plaintiffs' flasher? Did they violate the confidence reposed by their employer by appropriating, in an unlawful manner, the trade secrets of the plaintiffs?

The trial judge has correctly stated the issues involved, and, of course, there is another issue in this appeal, and that is whether the injunctive relief granted was appropriate.

The trial and the appellate courts concluded that the manufacturing "know-how" contained in the plaintiffs' blueprints and drawings were trade secrets in view of the fact that they were kept confidential and that plaintiffs considered such as secret and attempted reasonably to keep it so. The memorandum opinion of the trial judge is forty pages in length, contains a detailed analysis of the evidence, makes certain findings hereinafter mentioned, and contains a very competent analysis of most

of the cases in the United States concerning trade secrets and the method whereby the use of such trade secrets is acquired either legally or illegally. The abstract of evidence is 240 pages in length, and it would unduly extend this opinion to review in detail all the evidence. Several of the more salient findings of the trial court are:

"The Defendants insist that they made their drawings directly from the parts themselves by measuring, except when they drew them from their memory of Time-O-Matic's drawings. However, their expert witness, Dale Beck, a skilled engineer, looked with considerable askance (sic) upon the ability of any engineer to make accurate drawings of many of the delicate parts merely by measurements of the parts. This was particularly true as to those parts where the measurements were to a 10/1000 of an inch. And to come up with the identical measurement, tolerances, etc., as appear upon Time-O-Matic drawings were (sic) almost impossible."

"There is a marked similarity between the drawings and sketches of Signatrol and those of Time-O-Matic, in other respects. The data is too often too alike to be just accidental. The placement of the data on the drawing is almost universally the same."

"The likenesses and similarities occur so often, with such exactness, that it seems most unlikely that they should so occur, if, as claimed by defendants all their drawings were made from the torn down flasher parts, and without reference to any drawings or sketches or specifications of Time-O-Matic."

"It is to be observed that at no time did the Defendants seek to produce a new and improved flasher. They advanced no 'new novel' improvements. They only sought to reproduce the identical basic flasher of the Plaintiffs."

"From the character of the Defendants' own evidence, their admissions, the very nature of their procedure in entering into this competing business, their evasive attitude, one cannot but conclude that here was a carefully designed scheme and plan to reproduce from their

employer's trade secrets, the product of their employer. This conclusion is emphasized by Sutphin's testimony that he anticipated he would be sued. He had sought the advice of an attorney, then anticipating a suit he preserved a large number of his sketches. Why would he anticipate being sued, if he only intended to copy the product from the product itself, and did not intend to resort to the use of his employer's trade secrets?"

"After hearing all the evidence, and having observed the Defendants as witnesses, and their manner of testifying, this Court is convinced that this was a well planned scheme upon the part of the Defendants. This Court believes that the very nature of all the occurrences confirms the testimony of Mrs. Bachman relative to copying Plaintiffs' plans, drawings and specifications in Bachman's home. This Court also believes that, just as the Defendants admit, they had over the years actually memorized Plaintiffs' plans and drawings, and the information upon them; that they actually had a mental picture of these trade secrets, which was no different than having a copy or picture on paper. These mental pictures were obtained while in Plaintiffs' employment, and to carry them away in this manner was a violation of a confidence reposed in them by their employer, as if they had made copies or photographs and carried them away. This was not using the skill they had obtained, it was a question of copying and carrying away the actual trade secrets of Plaintiffs."

The trial judge also stated "it is of the very essence of things to see to it that the stringent and clamorous voice of self interest does not drown out the still, small voice of duty and conscience."

After having considered the entire record in the trial court, including the transcript of the evidence, and the trial judge's opinion, we have determined, as did the appellate court, that the evidence supported the findings of the trial court.

The controlling definition of a trade secret in Illinois is supplied by *Victor Chemical Works* v. *Iliff*, 299 Ill. 532, 540, where this court said that it is a secret *plan* or process, tool, mechanism or compound known only to its owner and those of his employees to whom it is necessary to confide it. The initial requirement that the plan, tool, *etc.*, be regarded as a secret has been found to exist by both the trial and appellate courts herein. There is ample evidence in the record to support these findings, and they should not be disturbed here. The more difficult question presented to this court is whether, notwithstanding the fact that the parties treated the information contained in the blueprints as containing confidential material, it nevertheless does not amount to a trade secret.

In *Smith* v. *Dravo Corp.*, 203 F.2d 369, 7th cir. 1953, decided under the law of Pennsylvania and relied upon by both the trial and appellate courts herein, it was held that information contained in blueprints and patterns did qualify as a trade secret, even though the finished product was on the market (and could, as plaintiffs concede here, be copied by legal means), and literature had been distributed to the industry partially disclosing the product's design. The reasoning of that opinion is most persuasive here.

The defendants cite *Sears, Roebuck & Co.* v. *Stiffel*, 376 U.S. 225, 11 L. ed. 2d 661, 84 S. Ct. 784, and *Compco Corp.* v. *Day-Brite Lighting*, 376 U.S. 234, 11 L. ed. 2d 669, 84 S. Ct. 779, for the proposition "that no state may, by laws dealing with unfair competition, impose damages or enjoin the copying, manufacturing and sale of an article which is protected by neither a Federal patent nor a copyright." In a proper case, we would concur with this statement. However, a reading of *Sears* and *Compco* clearly indicates that they are inapposite here. There, the defendants had copied the plaintiffs' unpatentable products by legal means. No problem concerning trade secrets was present. Plaintiffs here readily concede that their finished products may be copied by legal means (such as acquiring one of the finished prod-

ucts and measuring and analyzing it, until a copy can be produced), but maintain that employees in positions of confidence may not surreptitiously copy plaintiffs' blueprints while in their employ and subsequently use them to establish a competing business. *Sears* has in fact been distinguished on this very basis, in *Servo Corporation of America* v. *General Electric Co.*, (4th cir., 1964,) 337 F. 2d 716. It was there held that one could not take advantage of a confidential relationship and pirate another's trade secrets without responding in damages—even though the finished product was unpatentable and could be copied by legal means. It is readily apparent that the *Sears* and *Compco* cases do not cover a situation of industrial espionage by employees who plan to organize a competing company and thereafter do that very thing.

A holding that the confidential information contained in the blueprints does not constitute a trade secret would be incompatible with the practical problems inherent in attempting to copy a product from examination of the product itself. The measurements, tolerances, quality of material, *etc.*, cannot ordinarily be discovered by these means without expensive and time-consuming analyses. Plaintiffs have gone through this process by trial and error and have preserved the information thus acquired in working drawings and blueprints. Defendants, however, have chosen to capitalize upon their positions of trust —to clandestinely acquire the blueprints and reproduce them exactly. There is evidence in the record indicating that when some of defendant's drawings are superimposed over plaintiffs' corresponding ones, they match exactly—even to the lettering thereon. Better evidence of copying would be hard to obtain. In fact, defendants have even copied some of plaintiffs' mistakes.

It is clear that an employee may take with him, at the termination of his employment, general skills and knowledge acquired during his tenure with the former employer. It is equally clear that the same employee may not take with him confidential particularized plans or processes developed by his employer and disclosed to him

while the employer-employee relationship exists, which are unknown to others in the industry and which give the employer advantage over his competitors. The facts and circumstances in a particular case sometimes necessitate the drawing of a fine line of distinction in determining wich rule should properly apply. Suffice it to say that the facts and circumstances indicated herein fall well within the contemplation of the latter rule.

It should, moreover, make no difference whether the information contained in the blueprints, if it qualified as a trade secret (which in our judgment it does), has been pilfered by tracing the blueprints themselves, as some testimony herein indicates, or has been memorized by someone with a photographic memory, or has been committed to memory by constant exposure to the prints while in the employ of plaintiffs. This record is replete with evidence leading to but one conclusion: that these defendants have surreptitiously taken the particularized information contained in plaintiffs' blueprints and have employed it to establish a competing business. Even today's "morals of the market place" are more demanding than this, and should not be relaxed by this court. The determinations of the trial and appellate courts on the trade secret question are affirmed.

The bothersome aspect of the trial and appellate court decisions is the scope of the injunction that has been issued. It does not restrict its application as to time or geographical area. Defendants have, in effect, been put out of business for all time, everywhere. This clearly is not necessary to make plaintiffs whole as it is conceded by them that their products may legally be copied by competitors. Since defendants might have reproduced plaintiffs' flasher in this fashion, it is difficult to justify prohibition of such reproduction for a period of time longer than that required to duplicate the product by lawful means. The record contains no indication of the time so required, but such fact should be readily ascertainable since a Minnesota firm apparently did legally copy plaintiffs' product. Accordingly, we deem it appro-

priate to modify the injunction so as to limit its duration to the period of time reasonably required for defendants to legally produce such copies, and remand the cause for a determination thereof, as well as to consider the question of damages reserved by the trial court for future consideration. If the evidence establishes that the period of time required for reproduction of the flasher by lawful means, computed from the date defendants first commenced production, has now expired, the injunction order should be vacated.

The trial and appellate court determinations on the trade secret issue are affirmed and the cause is remanded to the trial court with instructions to consider the question of damages and modification of the injunction in accordance with the views expressed herein.

Affirmed in part and reversed in part and remanded, with directions.

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1965.

No. 641

AUTOMATION DEVICES, INC.,
Petitioner,

vs.

EDWARD A. SMALENBERGER, JR., INDIVIDUALLY AND DOING BUSINESS AS AUTOMATIC FEEDER COMPANY,
Respondent.

RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

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THE GOTTSDIEP-GILSON PRINTING COMPANY, CHICAGO

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FOREWORD.

The Petition for Certiorari herein is completely without merit when considered in the light of the actual record herein upon which the case was decided. It was decided completely contrary to petitioner's contentions, both by the United States District Court Judge Robson and by the Court of Appeals for the Seventh Circuit. Indeed, the Petition is based upon factual contentions and representations which are quite contrary to the actual facts of the case, and which were not raised in the trial court but only in the Court of Appeals on Petition for Rehearing as a

("A. ...." refers to plaintiff's appendix, and "A.D. ...." refers to defendant's appendix.)

last desperate attempt to grasp at straws where no substance existed.

It would appear from the Petition that respondent as a former employee of petitioner used information obtained as the result of such employment subsequently to engage in competition with his employer, using such information improperly obtained in an improper manner to copy products originated by the petitioner. Not one of these contended elements is true or supported in fact. Indeed, such contentions were not even made in the lower courts.

Respondent was never an employee of the petitioner. Respondent had no information from petitioner other than from its freely sold products as to the form or manner of manufacture thereof, which information was of course fully available to the public at all times. The product involved was not originated by petitioner, but by a third party of which both petitioner and respondent are licensees. Respondent finds it necessary to state the facts of record which petitioner conveniently ignores.

STATEMENT.

Petitioner and respondent both manufacture and sell vibratory small parts feeders which have long been standard in the trade and the products of both parties are substantially identical to such machines as made by The Syntron Company, of Homer City, Pennsylvania long before either petitioner or respondent engaged in such business.

It has been stipulated that there is no issue of patent or trademark infringement involved in this case, but this controversy does center about a very simple utilitarian mechanical structure, the nature of which should be briefly explained.

The petitioner's small parts feeder mechanism and the respondent's small parts feeder mechanism are closely similar in appearance but they are similar in appearance because both copy that of their joint licensor, The Syntron Company, which is substantially identical to that of both parties to this litigation. The Syntron Company small parts feeder was made by that company and sold broadly years before either petitioner or respondent engaged in this business.

Vibratory small parts feeders comprise as fundamental components "a basic power unit, a shell or cover for the same, and a hopper bowl to be mounted thereon to contain parts to be conveyed by means of vibratory impulses imparted to the bowl by the power unit."

The small parts included within the bowls of such units comprise a variety of configurations, such as washers, bolts and the like, which are conveyed and oriented by the vibratory impulses imparted to the bowl by the unit.

The power unit of each of the structures as made by petitioner, by respondent and by Syntron includes a heavy cylindrical base casting, an intermediate vibrating mechanism, and an upper platform upon which a hopper bowl may be mounted. Surrounding the power unit and base casting, all three parties have used a cover which is referred to in the record as being "frusto-conical" in form and clearly intended to enclose the mechanism in the most economical manner, being strictly functional in that respect rather than decorative or distinctive in appearance. The vice-president of The Syntron Company, Mr. Arthur Burch, who was characterized by petitioner as being "truthful and accurate" (A.D. 154), testified that the physical configuration of the power unit of the type shown in the illustrations required "a frusto-conical housing" (A.D. 154) as shown in the exhibits.

The Syntron product was first manufactured and sold by that company at least as early as 1948 (A. 105; A.D. 91-93). Petitioner commenced selling a similar unit in late 1955 (A.D. 90, 95). Respondent first manufactured and sold its units sometime prior to March 14, 1959 (A. 112).

It is stipulated and agreed that from 1948 until late 1955, the vibratory small parts feeders sold by petitioner were "manufactured by The Syntron Company" (A. 105). Petitioner further agrees that up until that time at least "the principal company manufacturing small parts vibratory feeders was The Syntron Company" (A. 108).

In late 1955, petitioner commenced to manufacture on its own behalf units which it admittedly copied from The Syntron products and which followed "the same dimensions" as the Syntron products (A. 96). As a result, Syntron filed a patent infringement suit against the petitioner, which case was finally settled in 1958 when petitioner became a non-exclusive licensee of Syntron (A.D. 98-9). The respondent also is a licensee of Syntron (A. 113).

Petitioner's and respondent's vibratory small parts feeders look alike except as to their nameplates and markings (respondent's product being very clearly labelled with its own name as appears at page 5a of the Petition herein). The products look alike because they are both like that of their licensor, The Syntron Company.

In December, 1954, respondent then in the employ of General Electric Company (and not in the employ of petitioner) established a small business firm engaged in general machine shop services, known as Eas-E-Way Products Company, at Rock Falls, Illinois and, in December, 1954, respondent devoted his full time to that company and to his activities as a "manufacturer's representative," selling equipment of a number of manufacturers on a

straight commission basis and as a fully independent businessman, as is quite customary in such an undertaking (A. 107).

In December, 1954, respondent undertook the sale of vibratory feeders sent to him by petitioner in his manufacturer's representative business then being operated under the name "Edward A. Smalenberger, Jr. and Associates" and also in connection with the "Eas-E-Way Products Company," all of which facts were fully known to petitioner at that time (A.D. 102, 156-160). As is fully disclosed in the record and by stipulation, indeed, respondent in all of his business expenses accounted for his own income tax withholding and social security tax accountings and, as a "manufacturer's representative" was paid only a commission upon the sale of petitioner's machines which he brought about (A. 109). Indeed, during this very period, with petitioner's full knowledge, respondent also offered for sale and sold similar products made by other manufacturers and also upon a straight commission basis as a manufacturer's representative.

The fact is that respondent was never at any time an employee of petitioner, never had any access to or knowledge whatsoever as to any of petitioner's trade secrets, if there were any, and was in fact only a customer of petitioner.

In 1958, a dispute arose between petitioner and respondent as to amounts due to petitioner for goods shipped to respondent on consignment and for commissions alleged to be due and unpaid to the respondent.

As a result, the sales-customer relationship between petitioner and respondent was terminated on April 10, 1958 (A. 110), although petitioner for some time thereafter continued to sell its products to respondent with full knowledge, admitted by petitioner's president, that he was fully

aware that such products were being marked with nameplates of the respondent at least as early as February, 1959 (A.D. 105-6).

On March 14, 1959, the parties finally entered into an agreement settling all disputes between them and granting to each other mutual releases "for anything occurring prior to the date of this release" (A. 19), the only remaining obligation between the parties being that respondent would pay to petitioner the agreed sum of money in the amount of $12,000 said to be due between them upon a balancing of accounts (A. 19) and an agreement that respondent would not represent that he was agent of petitioner thereafter and would "refrain from any conduct that would reasonably lead a customer" to believe that products sold by respondent were "manufactured or produced" by petitioner unless it was in fact so manufactured or produced. This amount was fully paid by respondent to the petitioner and it was only after that sum of money had been fully paid that petitioner filed this lawsuit on June 5, 1961.

At the time this action was filed, all of the facts which have been asserted or contended in this case were fully known to petitioner, had indeed been known to petitioner at the time of the settlement agreement of March 14, 1956, and there had been no subsequent relationships between the parties from the date of the settlement agreement which petitioner contends was a disclosure to respondent of any trade secrets by petitioner or amounted to a use by respondent of any trade secrets alleged to be the property of petitioner.

After numerous pre-trials and conferences with parties' counsel with the trial judge, a stipulation of facts was completed (A. 104-114) and filed on December 6, 1963 and a short supplement thereto was likewise signed by counsel

for the parties and filed with the Court on the same date (A.D. 10).

On December 19, 1963, after a further pre-trial conference, a pre-trial order was entered pursuant to Rule 16 of the Federal Rules of Civil Procedure (A.D. 11-24). On the same date, plaintiff filed, pursuant to court rule, its Statement of Issues of Law and Fact involved (A.D. 25-29).

It is of significance that in the stipulations of fact, the pre-trial order and the plaintiff's Statements as to issues of law and fact involved in this case, there was never at any time a contention or a representation by the plaintiff that defendant had appropriated any trade secrets of the plaintiff as a part of the facts complained of or of the issues involved. Yet that is now presented as the sole and only question presented to this Court in petitioner's Petition.

After the parties had fully and completely agreed upon the facts and the issues in this case, respondent moved the District Court for summary judgment, there being no issue as to any material fact bearing upon the agreed issues.

At that time, the present petitioner asserted to the Court that the decision of the Court of Appeals for the Seventh Circuit in *Stiffel Company* v. *Sears, Roebuck & Co.*, 313 F. 2d 115, was absolutely "controlling" in this case and that under such decision the fact that respondent's vibratory feeder mechanism had the same structural appearance as that of petitioner, the Court necessarily had to hold that the respondent's product unfairly simulated that of petitioner and summary judgment should be denied.

Based upon this very argument, the Court did deny Motion for Summary Judgment at that time, believing as it had to that the Court of Appeals' decision in *Stiffel Company* v. *Sears, Roebuck & Co.* was "controlling."

When this Court decided *Sears, Roebuck & Co.* v. *Stiffel Company,* 376 U. S. 225 a year later, reversing the decision of the Court of Appeals for the Seventh Circuit, the respondent's Motion for Summary Judgment was renewed. There was no change of facts, there were no additional allegations before the Court as to alleged "unfair competition" or alleged misuse of "trade secrets", and the only issue before the Court at that time was whether or not the mere fact that respondent's feeder looked like petitioner's feeder (and necessarily so since both were derived from The Syntron Company, licensor of both parties) was of itself a basis for holding that there was an issue of unfair competition involved.

In view of this Court's decision in *Sears, Roebuck & Co.* v. *Stiffel Company,* 376 U. S. 225, and the case decided the same day in *Compco Corp.* v. *Day-Brite Lighting, Inc.,* 376 U. S. 234, the District Court concluded, as it had to conclude, that there was no genuine issue as to any material fact, no unfair competition involved, no possible representation that respondent's product was made by petitioner, and summary judgment was granted.

The Court of Appeals, on a full record, full briefs and full oral argument affirmed the decision of the District Court.

Not at any time in the District Court or in the Court of Appeals, until a belated petition for rehearing, was there any suggestion by petitioner that there was ever involved in this case any matter of a "trade secret" and even at that time there was no suggestion and there has been no suggestion in any pleading that the respondent ever took from petitioner or used any actual "trade secret" or anything other than to make a product which it had the right to make and which petitioner believes looks like its product. Respondent's product is clearly marked with its name and

trademark as shown in petitioner's Petition at page 5a and the products look alike only because they are derived from the same source—not the petitioner but The Syntron Company, licensor to both parties. There is no possible suggestion or contention that respondent ever knew of, took from or acquired from petitioner any blueprints, drawings or secret matters pertaining to the automatic feeders which were freely sold to the public and as to which no possible secret could have been either pretended or maintained.

Mr. Angerer had no "trade secrets" of petitioner and disclosed none to respondent.

A considerable portion of the Statement of Facts made by petitioner relates to a Mr. Charles Angerer who was admittedly an employee of petitioner at one time, who subsequently was an employee of the respondent. However, Mr. Angerer was a simple semi-skilled mechanic and there is no allegation whatsoever that he ever learned or was given any "trade secrets" by petitioner nor that he ever disclosed any such trade secrets to the respondent. Mr. Angerer worked for petitioner for a while, left its employ, and worked thereafter for a while as an assistant in his brother's supermarket. Long after that, he entered the employ of respondent, again as a semi-skilled workman and, by his own testimony, disclosed nothing to the respondent and had nothing to disclose. That he knew how to drill holes in bowls in order to attach them to the mechanism involved hardly makes him a man with secret knowledge which he did not have a right to carry into whatever occupation he might enter after leaving the employ of petitioner. There is no suggestion and there can be no suggestion that respondent hired Mr. Angerer away from petitioner because of any special knowledge which he had.

THE QUESTION PRESENTED.

The "Question Presented" as stated in the Petition is not and never has been the issue in this case. The only issue in the lower courts as stipulated by the parties was whether respondent's product, appearing as it does in the same shape as petitioner's product, was a representation that the product was that of the petitioner when in fact it was a representation of the long, well-known prior art as made by the licensor under which both petitioner and respondent are licensees.

Actually, there is no possible question raised as to "federal supremacy of the patent laws" as defined in *Sears* v. *Stiffel,* 376 U. S. 225 and *Compco* v. *Day-Brite,* 376 U. S. 234 since it is completely admitted that no question of patent infringement, copyright infringement or trademark infringement is here involved.

It is difficult for respondent to define the "Question Involved" since there is really no question. Perhaps it can be phrased as follows:

> Does respondent represent its product as being that of the petitioner when it presents a product which in all of its particulars was not originated by petitioner, is fully open to the public, and which is expressly marked with the respondent's name and trademark?

ARGUMENT.

Respondent's selling of a product clearly marked with its name but charged to be a representation that the product was that of the petitioner, when it is in fact a product made and open to making by any other source and by others whomever may wish to do so, cannot be charged to be a representation that the product is that of the petitioner. This is especially true where, as here, petitioner has stipulated that there is no charge of infringement of any patent right or any trademark involved herein. It is especially true where, as here, both parties make their product in shape and conformation like that of their licensor, The Syntron Company, not a party hereto but from which each party asserts the right to make its product.

On December 6, 1963, it was stipulated and agreed between the parties and, on December 13, 1963 included in a Statement of Issues of Law and Fact involved in the case and presented by petitioner, and in a pre-trial Order of December 13, 1963 approved by both parties and the Court that there were no issues of patent infringement, trademark infringement or the like involved in this case and that the only issue really involved was whether the appearance of respondent's product was such as to make it appear to be the product of petitioner.

Bearing in mind that the respondent's product was clearly marked at all times with its name and its trademark and bearing in mind that the shape and conformation of its product was not that originated by petitioner but long prior thereto by a third party and clearly open to use by the public, there can be no possible question but that the shape and conformation of the product did not represent

the product as being made by petitioner but instead as being a product open to making and selling by the public generally. *Sears* v. *Stiffel,* 376 U. S. 225 did seem to settle this conclusively.

Petitioner does not contend, nor is there any possible basis in this case for it to contend, that whether or not respondent's product was copied from that of the petitioner or from the prior art, it would result therefrom that respondent represents its product as having been originated by petitioner. Respondent's product, as shown in the Petition herein at page 5a, was clearly marked with respondent's name and clearly distinguished thereby from any possible conception that it was the product of petitioner. With such marking and with the indisputable proof that the shape of the product was not originated by or the property of petitioner, there is no possible question that the shape of the product and its marking as sold by respondent was not representing it to be a product of the petitioner.

The simple fact is that respondent's product has been made by it strictly in accordance with the prior art as originated long prior to any activity by the petitioner, that respondent's product has been clearly marked at all times with respondent's trademark, and that no one can possibly understand respondent's product to have been made by the petitioner with any reasonable consideration of the facts.

The respondent was never at any time an employee of petitioner. Respondent never at any time had access to or obtained any blueprints, drawings or other "secret" material of the petitioner, and there is no possible basis for a contention that respondent in making its product used any material solely owned by petitioner or as to which material petitioner had any proprietary rights.

THE CASES CITED BY PETITIONER ARE WHOLLY INAPPOSITE.

In an attempt apparently to misrepresent the issues in this case, petitioner says that there is a property right in blueprints, etc. and that the misuse thereof by an employee is actionable. Yet the fact is that the respondent in this case was never an employee of petitioner, never had access to and never used any blueprints, drawings or the like owned by petitioner, if there ever were any, and there is not even an allegation in the pleadings, the stipulation of facts or the pre-trial order that any such issue was here involved.

Petitioner cites *duPont* v. *Masland,* 244 U. S. 100, in support of its contention. Yet even in that case, it appears that this Court there said that the secrets involved were submitted "through a special confidence" that the defendant had accepted. There is no such contention in this case let alone any factual basis for such a contention.

The petitioner says that the Supreme Court of Illinois in a recent decision, *Schulenburg, et al.* v. *Signatrol, Inc., et al.,* arrived at a similar decision. That case is as yet unreported, but the fact is that the Supreme Court in that case held that the trial court was wrong and should be reversed in its holding that copying of an article, where copying was clear, was actionable, although the Court held that there the stealing of blueprints from his employer by an employee was actionable from the question of damages. No such a question is here involved.

Strangely enough, the petitioner cites *Restatement of Torts,* Sec. 757, defining trade secrets and matters of secrecy in which it is expressly stated that "matters which are completely disclosed by the goods which one markets cannot be his secret." There is no other contention by

petitioner as to trade secrecy in this case than the alleged copying of the goods freely sold by petitioner to anyone on the market. There could be no secrecy involved.

Petitioner cites a number of cases which it says follow the Restatement proposition and we have no dispute that such decisions do follow the Restatement proposition. In every one, however, where any relief was afforded, there was either a special confidential relationship between the defendant and the plaintiff or an actual stealing of blueprints and drawings constituting trade secrets of the plaintiff. No such a question is here involved.

The Supreme Court of Pennsylvania, in *Van Products Company* v. *General Welding and Fabricating Company,* in its decision filed October 13, 1965, made a very careful and thorough analysis of this very question, citing many, many decisions and considering in its opinion the decision of ths Court in *Sears* v. *Stiffel,* 376 U. S. 225. It was that Court's very carefully considered decision that there is no possible trade secret involved with respect to a product freely sold to the public and from which the public generally can learn and has the right to learn all of the elements entering into the manufacture of the product. A copy of that opinion, as yet unreported, is included as an addendum to this response. This decision reviews many decisions and represents the law of Pennsylvania, the State of which petitioner is a resident and where it does business.

CONCLUSION.

The petitioner's contentions in its Petition for Certiorari were not raised in the courts below, have no basis in the evidence or stipulated facts, and are completely contrary to the stipulated issues of fact which were considered by the District Court and by the Court of Appeals.

There is no pleading, there is no contention, there is no basis for asserting that respondent ever borrowed or used any trade secrets of petitioner, and the Petition for Certiorari should be denied.

Respectfully submitted,

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ADDENDUM.

IN THE SUPREME COURT OF PENNSYLVANIA,
Western District.
No. 78 March Term, 1965.

VAN PRODUCTS COMPANY, a Pennsylvania Corporation,
vs.
GENERAL WELDING AND FABRICATING COMPANY, a Pennsylvania Corporation and VINCENT Q. RAPP, an Individual,
Appellants.

Appeal from the Final Decree of the Court of Common Pleas of Erie County to No. 22 September Term, 1958. Entered: December 3, 1964.

OPINION.

Filed: October 13, 1965.

EAGEN, *J.*

This is an appeal by General Welding and Fabricating Company (General) and Vincent Q. Rapp (Rapp) (jointly referred to as appellants) from a final decree of the Court of Common Pleas of Erie County granting a permanent injunction against appellants, restraining them from making, advertising and selling deliquescent desiccant air driers, and directing that appellants account to Van Products Company (Van) for all profits realized from the previous sale of such air driers.

The historical background may be summarized as follows:

Van was organized in 1944, and engaged in the making of air vises. In 1951, it was contacted by O. Clair Norton,

who claimed to have invented a unique air drier that could be used profitably in many areas of industry and manufacturing to prevent and eliminate fouling, rusting and shortened life in tools and machinery operated by compressed air. Norton's brain child, following years of experimentation, was a deliquescent desiccant air drier. A desiccant is a substance which attracts and holds moisture; to deliquesce means to become liquid-like. Norton's idea was to channel the compressed air through a chemical mixture which would absorb the moisture in the compressed air lines and deliquesce in an orderly fashion. Only the chemical had to be replaced. This type of device was a substantial improvement over the expensive and cumbersome driers then in general use, which required regeneration and the use of alternate driers. The chemical compound used, to be known as "Dryolite", was in the form of a pellet consisting of 93 per cent sodium chloride impregnated with a small quantity of calcium chloride and sodium dichromate.

On June 23, 1953, the United States Patent Office issued a patent to Norton for the drier. These rights were then assigned to Van for the purpose of further development and for the sale of deliquescent desiccant air driers. In August 1957, Norton applied for a patent on the desiccant used in the drier. This was never issued.[1]

On September 1, 1953, Rapp was employed by Van. He had no previous experience in this field, and, at first, his duties involved handling Van's mail operation. As the development and sale of the air driers grew in volume and importance in the Van system, Rapp's position of importance and value increased, so that eventually he ran the gamut of tasks involved in this segment of Van's business to become the general manager of the entire operation. During the course of this employment, he was intimately

1. It appears that the patent would have issued for the desiccant as constituted, but Norton kept insisting on broader rights.

involved with purchasing, selling, advertising, plan and blue prints drafting, training and conducting field experiments to overcome customer difficulties. In short, Rapp was thoroughly imbued, through his industrious application, with all the problems, processes and advantages involved in the production, sale, and maintenance of this type of drier. He learned everything there was to know about Van's drier, except the composition of the desiccant itself.

Beginning in 1952, General began to make, engineer and design parts for Van's drier; then from September, 1953, to February 1, 1958, General manufactured the entire drier on behalf of Van according to Norton's patent. It was in this connection that General and Rapp were introduced. Because of the complicated nature of the construction of these devices and the intimate knowledge of these matters possessed by Rapp, he began frequent visits to General to supervise construction. Then on February 1, 1958, suspecting that Rapp's loyalty lay more with General than with it, Van terminated Rapp's employment. One week later, Rapp was employed by General, and within days was actively planning the manufacture and sale of a deliquescent desiccant air drier on General's behalf. He broke down the secret of the composition of the chemical formula used in the Van drier. He substituted urea for sodium chloride which performed the same function. On April 1, 1958, General sold its first deliquescent desiccant air drier, which, while not an exact duplicate or physically similar to Van's, was practically identical in function and concept.

On September 6, 1960, the United States Patent Office granted Rapp a patent for his desiccant. On March 16, 1965, Letters Patent were granted to Rapp and General for their drier.

On September 5, 1958, Van instituted this action for injunctive relief and an accounting. After prolonged hear-

ings, the chancellor entered a decree in favor of Van. The court en banc subsequently made the decree final. This appeal followed.

The initial question for determination is whether or not the lower court had jurisdiction of the cause of action. Appellants strongly maintain that the issue basically involves patent rights, and that the decree of the lower court in effect deprives them of utilization of such rights and invalidates patents which they received. In short, they maintain that this is strictly "a patent case," and, therefore, exclusive jurisdiction is in the federal courts.

It is established beyond question that the district courts of the United States have exclusive, original jurisdiction of all civil actions arising under the patent laws: 28 U.S.C. §1338(a). See also, *Sears, Roebuck & Co.* v. *Stiffel Co.*, 376 U. S. 225 (1964), and *Compco Corp.* v. *Day-Brite Lighting, Inc.*, 376 U. S. 234 (1964). As recognized by this Court in *Slemmer's Appeal*, 58 Pa. 155 (1868), if the validity of a patent or patentability is the principal issue involved, then the jurisdiction of the federal courts is exclusive.

However, it is our considered conclusion that patent rights are only indirectly involved and that, under the circumstances, jurisdiction is properly in the courts of this Commonwealth.

The gravamen of the action is the abuse of confidence by Rapp who, as a trusted employee, allegedly misappropriated secret information of Van and used it to produce and market a competing product manufactured by General. That the state courts have the power to enjoin the use of a trade secret in a proper case, there can be no doubt. See, *Carl A. Colteryahn Dairy, Inc.* v. *Schneider Dairy*, 415 Pa. 276, 203 A. 2d 469 (1964), and *Macbeth-Evans Glass Co.* v. *Schnelback*, 239 Pa. 76, 86 A. 688 (1913). And

while patent laws may be involved, if they are purely incidental and collateral to the main issue of the case, and if jurisdiction exists over the parties and the subject matter in all other respects, our courts are not precluded from acting under their general equity powers: *Quaker State Oil Refining Co.* v. *Talbot*, 322 Pa. 155, 185 A. 586 (1936). See also, *Becher* v. *Contoure Laboratories, Inc.* 279 U. S. 388 (1929); *Pratt* v. *Paris Gas Light & Coke Company*, 168 U. S. 255 (1897); *Hyde Corp.* v. *Huffines*, 158 Tex. 566, 314 S. W. 2d 763 (1958); *Bert Lanes Co., Inc.* v. *International Industries, Inc.*, 84 S. 2d 5 (Fla. 1955); *H. J. Heinz* v. *Superior Court in and for Alameda County*, 42 Cal. 2d 164, 266 P. 2d 5 (1954); *L. A. Young Spring & Wire Corp.* v. *Falls*, 293 Mich. 602, 292 N. W. 498 (1940); Annot., 170 A. L. R. 449, 495 (1947); and, 3 Robinson, Patents §858 (1890).

This, in our opinion, is such a case. The pivotal and main issue here presented is whether or not the appellants caused damage to Van's business through the use of confidential material misappropriated by Rapp while he was in its employ.

Moreover, appellants' jurisdictional contention seems to be based upon a misconception of the nature of a patent monopoly, i. e., that, in being issued Letters Patent, a patentee is thus granted an exclusive right to use and exploit his invention. In fact, the patent monopoly is a negative right. 35 U. S. C. §154 provides that a patentee has "the right to exclude others from making, using, or selling the invention throughout the United States. . . ."[2]

2. See, *Patterson* v. *Kentucky*, 97 U. S. 501 (1878); *Little Mule Corp.* v. *Lug All Co.*, 254 F. 2d 268 (5th Cir. 1958); *Talbot* v. *Quaker-State Oil Refining Co.*, 104 F. 2d 967 (3rd Cir. 1939); Annot., 170 A. L. R. 449, 454 (1947); Ellis Trade Secrets § 140 (1953); 3 Robinson, Patents § 848 (1890). Cf. *Woodbridge* v. *United States*, 263 U. S. 50 (1923) (dictum to the effect that the grant is the right to make, use or sell, rather than the right to exclude others from so doing).

The right to make, use or sell, though a logical corrollary, is dependent upon natural or common law. See, *Bendix Aviation Corp.* v. *Kury,* 88 F. Supp. 243, 247 (E. D. N. Y. 1950), and authorities cited supra, note 2. The issuance of Letters Patent gives the patentee no more right to use his invention that he enjoyed before. See, Amdur, Patent Fundamentals, at 53 (1948). Therefore, viewed in this light, the existence of patent rights is not controlling. Infringement actions may be prosecuted in the federal courts, and existing patent rights may be unchallengeable in a state court; however, appellants' right to manufacture and sell the drier involved depends upon how the knowledge in connection therewith was obtained. This is the issue here. It is not a "patent case".

We now come to the merits of the case.

In its adjudication, the trial court made certain findings of fact, including the following:

"13. General got direct from Van through Rapp the 'know-how' of the manufacture, operation and functioning of Van's deliquescent desiccant air drier and from no other source.

"14. Defendant Rapp wrongfully appropriated to his own use and that of Defendant, General Welding, the following trade secrets and confidential information and ideas:

"A. The idea and the original concept of the deliquescent type of air drier.

"B. The intimate knowledge of the need, use and demand for deliquescent desiccant air driers; namely, that this was a 'hot product'.

"C. Information derived from building up and maintaining intimate card files on customers and their peculiar problems and needs, and in servicing such customers.

"D. Van Products' know-how in manufacturing of

these driers which it only achieved after years of success and failure, mistakes and corrections, testing and retesting, field testing, experimentation, study and analysis of problems in actual operation.

"E. Van Products' know-how in selling, which was an evolutionary process of direct-mail and finally to distributors and direct company contacts.

"F. Van Products' material sources and costs.

"G. Results of and intimate knowledge concerning Van Products' research and development and experimentation in the field, dew point testing, analysis of ratios of the parts involved and the solved mechanical problems contained in their blueprints.

"H. Van Products' labor costs.

"I. The secret of the desiccant, namely, the impregnation of a soluble pellet holding material with other hydroscopic materials.

"J. Van Products' suppliers and accounts payable.

"K. Van Products' customers and accounts receivable.

"L. Mechanical secrets of the Van Drier involving peculiar knowledge of design, material, dimensions and positioning of baffles, orifices, screens and supports other than those disclosed in sales literature or patents or otherwise in the public domain.

"M. Van Products' advertising methods and material.

"15. The misappropriation and use of said trade secrets, confidential information and ideas thus enumerated gave the Defendants an opportunity to achieve a competitive position in a field otherwise devoid of competition and thus to gain an unconscionable advantage and thereby become unjustly enriched at the expense of Plaintiffs."

These findings are further amplified (or condensed, as the case may be) in the court's "Discussion": "The trade

secret here involved . . . is all embracing rather than confined to any particular item . . . or to any particular phase of its functioning. . . . It is not any one of these features or any others which constitute the trade secret contended for by Van but rather the whole picture combining the original idea or theory as worked up mechanically by Van into a tangible and marketable product and the know-how all along the line. . . ."

It is fundamental that the findings of fact of a chancellor which are approved by the court en banc have the weight of a jury's verdict, and will not be disturbed on appeal if there is adequate evidence in the record to sustain the findings: *St. Andrew's Evangelical Lutheran Church* v. *Lower Providence Township,* 414 Pa. 40, 198 A. 2d 860 (1964). On the other hand, it is equally well established that the chancellor's conclusions, whether of law or fact, being no more than his reasoning from the underlying facts, are reviewable: *Hoffman* v. *Rittenhouse,* 413 Pa. 587, 198 A. 2d 543 (1964).

It is our considered judgment that the lower court erred in concluding that the facts established a misappropriation of a legally protectible trade secret. The decree, therefore, must be reversed.

As noted before, Van prosecuted this action upon the theory that Rapp, as a trusted employee, learned of these secrets while in a confidential relationship, to wit, employee-employer, and misappropriated and used them after the termination of his employment with Van for the benefit and with the consent and knowledge of General.[3]

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3. Restatement, Torts § 757, provides, *i.e.,* that "one who discloses or uses another's trade secret, without a privilege to do so, is liable to the other if (a) he discovers the secret by improper means, or (b) his disclosure or use constitutes a breach of confidence reposed in him by the other in disclosing the secret to him. . . ." This Court has long recognized such a right in the employer: See, *e.g., Robinson Electronic Supervisory Co., Inc.* v. *Johnson,* 397 Pa. 268,

The concept of trade secret is at best a nebulous one and has been variously defined by case and text authority. Restatement, Torts § 757, comment b, states that "a trade secret may consist of any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it."[4] The prerequisites to recovery upon a cause of action alleging misappropriation of trade secrets was long ago set forth for Pennsylvania in *Macbeth-Evans Glass Co.* v. *Schnelbach*, supra, 239 Pa. at 87, 86 A. at 691: "To be entitled to equitable relief the burden was on [the employer] to show;

154 A. 2d 494 (1959); *Morgan's Home Equipment Corp.* v. *Martucci*, 390 Pa. 618, 136 A. 2d 838 (1957); *Belmont Laboratories, Inc.* v. *Heist*, 300 Pa. 542, 151 A. 15 (1930); and *Macbeth-Evans Glass Co.* v. *Schnelbach*, 239 Pa. 76, 86 A. 688 (1913). The right is also recognized generally in other jurisdictions: See, *e.g.*, *E. I. DuPont de Nemours Powder Co.* v. *Masland*, 244 U. S. 100 (1917); *Aktiebolaget Bofors* v. *United States*, 194 F. 2d 145 (D. C. Cir. 1951); *Furr's, Inc.* v. *United Specialty Advertising Co.*, 385 S. W. 2d 456 (Tex. 1964); *Julius Hyman & Co.* v. *Velsicol Corp.*, 123 Colo. 563, 233 P. 2d 977 (1951); *Junker* v. *Plummer*, 320 Mass. 76, 67 N. E. 2d 667 (1946); and, *Extrin Foods, Inc.* v. *Leighton*, 115 N. Y. S. 2d 429 (S. Ct. 1952). See also, Restatement (Second), Agency § 395; Annot., 165 A. L. R. 1453 (1946); Note, "Protection and Use of Trade Secrets," 64 Harv. L. Rev. 976 (1951); 1 Callman, Unfair Competition and Trade Marks ["Trade Secrets" at 644, § 51 *et seq.*] § 55.1 (1945); McClain, Jr., "Injunctive Relief Against Employees Using Confidential Information," 23 Ky. L. J. 248 (1935); Note, "Protection of Information in the Nature of Trade Secrets," 14 Minn. L. Rev. 546 (1930); and, Hannigan, "The Implied Obligation of an Employee," 77 U. Pa. L. Rev. 970 (1929).

4. This definition, according to the particular authority involved, is either too broad or too restrictive, but in general it seems to represent the consensus. Compare the definition in Note, 14 Minn. L. Rev. 543, 548, *supra* note 3 ("*any* information of *peculiar* value to its owner, not protected by patent, and not generally known or accessible to everyone." [Footnotes omitted. Emphasis in original.]), with that approved in *Progress Laundry Co.* v. *Hamilton*, 208 Ky. 348, 270 S. W. 834, 835 (1925) ("a trade secret is a plan or process, tool, mechanism, or compound, known only to its owner and those of his employees to whom it is necessary to confide it.").

(1) that there was a trade secret, or, as in the case at bar, a secret process of manufacture; (2) that it was of value to the employer and important in the conduct of his business; (3) that by reason of discovery or ownership the employer had the right to the use and enjoyment of the secret; and, (4) that the secret was communicated to [the employee] while he was employed in a position of trust and confidence under such circumstances as to make it inequitable and unjust for him to disclose it to others, or to make use of it himself, to the prejudice of his employer."[5]

The opinion of the court below renders the decision of this case quite difficult by stating that the "trade secret" here involved is "all embracing" and "the whole picture". One rather salient point runs steadfastly throughout decisions in this area in most jurisdictions, and that is that the employee, upon terminating his employment relationship with his employer, is entitled to take with him "the experience, knowledge, memory, and skill, which he had gained while there employed . . . A man's aptitude, his skill, his dexterity, his manual and mental ability, and such other subjective knowledge as he obtains while in the course of his employment, are not the property of his employer and the right to use and expand these powers remains his property unless curtailed through some restrictive covenant entered into with the employer: Wil-

5. See also, *Wexler* v. *Greenberg*, 399 Pa. 569, 160 A. 2d 430 (1960); *Pittsburgh Cut Wire Co.* v. *Sufrin*, 350 Pa. 31, 38 A. 2d 33 (1944); and, Ellis, Trade Secrets § 236. Cf. *Great Lakes Carbon Corp.* v. *Continental Oil Co.*, 219 F. Supp. 468, 498 (W. D. La. 1963), quoting from *Kinnear-Weed Corp.* v. *Humble Oil & Refining Co.*, 150 F. Supp. 143, 159 (E. D. Tex. 1956), aff'd 259 F. 2d 398 (5th Cir. 1958): "The essential elements of a cause of action for breach of confidence are (i) possession by the plaintiff of knowledge or information which is not generally known, (ii) communication . . . by the plaintiff to the defendant under an express or implied agreement limiting its use or disclosure by the defendant, and (iii) use or disclosure by the defendant . . . , to the injury of plaintiff."

liston on Contracts, § 1646, p. 4627." *Pittsburgh Cut Wire Co.* v. *Sufrin*, supra note 5, 350 Pa. at 34-35, 38 A. 2d at 34-35.[6] There is no restrictive covenant involved in the present case.

Levine v. *E. A. Johnson & Co.*, 107 Cal. App. 2d 322, 237 P. 2d 309 (1951), is interestingly parallel to the instant case. There the employee left his high position with plaintiff after 35 years of service in the field of constructing wooden tanks and cooling towers. Immediately thereafter, in partnership with his son, he went into competition with his former employer, who sought an injunction to restrain the use of trade secrets. Failing to find any real trade secrets, the court refused an injunction, saying that the former employee had built up a wealth of experience and skill during his employment and that to deny him the right to exploit it would wipe out his means of livelihood. No doubt the employee there was just as thoroughly imbued with the intricacies and "secrets" of his employer's business as was Rapp here. The question still remains to be answered whether the information is such here that we must act as a judicial eraser to blot out Rapp's knowledge and skill.

Certain of the elements of the "trade secret" enunciated by the trial judge in Paragraph 14 of his opinion certainly fall within this category of "general knowledge, skill and experience" and are not thus proper subjects for a mental

6. See also, *Carl A. Colteryahn Dairy, Inc.* v. *Schneider Dairy*, 415 Pa. 276, 203 A. 2d 469 (1964); *Spring Steels, Inc.* v. *Molloy*, 400 Pa. 354, 162 A. 2d 370 (1960); *Wexler* v. *Greenberg*, *supra* note 5; *Bickley* v. *Frutchey Bean Co.*, 173 F. Supp. 516 (E. D. Mich. 1959), aff'd on opinion below, 279 F. 2d 685 (6th Cir. 1960); *Tempo Instrument, Inc.* v. *Logitek, Inc.*, 229 F. Supp. 1 (E. D. N. Y. 1964); *L. M. Rabinowitz & Co., Inc.* v. *Dasher*, 82 N. Y. S. 2d 431 (S. Ct. 1948); *Fairchild Engine & Airplane Corp.* v. *Cox*, 50 N. Y. S. 2d 643 (S. Ct. 1944); 1 Callman, Unfair Competition and Trade Marks, *supra* note 3, § 55.2(a); Hannigan, "The Implied Obligation of an Employee," 77 U. Pa. L. Rev. 970, 972 (1929); and, Restatement (Second), Agency § 396(b).

purge. For instance, 14B: "the intimate knowledge of the need, use and demand" for this product could not be a trade secret. It is something that would be learned in any productive industry, as are the "material sources and costs" (14F), "labor costs" (14H), the "suppliers and accounts payable" (14J), "customers and accounts receivable" (14K), and "advertising methods and material" (14M).

A further extension of this concept of "general knowledge" includes the little nuances and refinements developed by Rapp himself while not engaged in specific product research. For instance, 14E: "the know-how in selling, . . . an evolutionary process of direct-mail" was a process that Rapp was hired to conduct and of which he made a viable selling process. 14G: "results of . . . research and development in the field . . . [etc.]" would not seem, upon considered analysis, to be trade secrets in this case, and even if they were Van could not prove exclusive ownership since Rapp was the experimenter and tester. At most, Van can claim co-authorship on the basis that Rapp was paid to do this work; but much of the initiative and creative questioning was the product of Rapp's own ambition.[7] It would seem, then, that this generalized knowledge in the field of deliquescent dessicant air driers was a labor asset which Rapp was privileged to carry with him to his new employer. Perhaps the fact that this was a new and unique field might tend to persuade that these were secrets, but they are matters which any industrious person would learn in a developing field in Rapp's position. They are not of such character as to be classified as trade secrets.

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7. See, Bishop, Jr., "Employers, Employees and Inventions," 31 S. Cal. L. Rev. 38 (1957), and Note "Protection and Use of Trade Secrets," 64 Harv. L. Rev. 976 (1951). Cf. *Wellington Print Works, Inc.* v. *Magid*, 242 F. Supp. 614 (E. D. Pa. 1965). But cf. *B. F. Gladding & Co., Inc.* v. *Scientific Anglers, Inc.*, 245 F. 2d 722 (6th Cir. 1957).

Customer information such as that embraced in item 14C has been the subject of varied litigation. It is clear that this jurisdiction affords protection to an employer's confidential customer information: *Morgan's Home Equipment Corp.* v. *Martucci*, 390 Pa. 618, 136 A. 2d 838 (1957). Cf. *Carl A. Colteryahn Dairy, Inc.* v. *Schneider Dairy*, supra. And, as pointed out in *Morgan's Home Equipment Corp.*, a distinction often drawn in the cases to the effect that an injunction will not issue unless an actual physical list has been taken (as opposed to a list carried away in the employee's memory)[8] is not really meaningful, being based upon the manner of taking, rather than the character of the information taken.[9] Nor is the fact that it was the employee himself who compiled the list.[10] As with any other trade secret, for customer information to be protectible it must be a particular secret of the business, of value to the employer and wrongfully appropriated by the employee. In the present case, the actual lists were merely distillations of commercial lists created from the very general knowledge that users of compressed air are potential customers for air driers. In this respect, these customer lists are in no way secret: *Denawetz* v. *Milch*, 407 Pa. 115, 178 A. 2d 701 (1962). The further assertion is that extensive data was also stored in an elaborate card-file system (a system devised and set up by Rapp). This data was accumulated by Rapp during his field trips and from experimentation designed to meet customer requests and problems. We are convinced that Van has failed to show

8. *Progress Laundry Co.* v. *Hamilton*, *supra* note 4; *Sarkes Tarzian, Inc.* v. *Audio Devices, Inc.*, 166 F. Supp. 250 (S. D. Cal. 1958); *Richard M. Krause, Inc.* v. *Gardner*, 99 N. Y. S. 2d 592 (S. Ct. 1950): and, Nims, Unfair Competition and Trade Marks ["Trade Secrets," Ch. XI at 401, § 141 *et seq.*] § 157 (3rd ed. 1929).

9. McClain, Jr., "Injunctive Relief Against Employees Using Confidential Information," 23 Ky. L. J. 248 (1935), and Ellis, Trade Secrets §§ 71, 72, 74 & 79 (1953).

10. Ellis, Trade Secrets § 75.

that this information was any more than the recorded results of Rapp's acquisition of general knowledge and skill in this field.

The key to the lower court's thinking seems to be contained in Paragraph 14D: "know-how in manufacturing ... which [Van] achieved after years of success and failure, mistakes and corrections ... [etc.]."[11] Along with "trade secret," the concept of "know-how" is also a very fuzzily defined area, used primarily as a short-hand device for stating the conclusion that a process is protectible. It covers a multitude of matters, however, which in the broad sense are not protectible, *e.g.*, an employee's general knowledge and skill. A manufacturing company is merely the sum of its producing units, including the skills of its employees. Granted that Van had a very precise knowledge of the field of air driers, but it was mainly derived from Norton's inventiveness and Rapp's industrious experimentation. We think that, in the present case, Van's "know-how" was not protectible from exploitation by Rapp.

Paragraphs 14A and L: "The idea and the original concept" and "the mechanical secrets of the Van drier" present a question which has produced a conflict of authority among the jurisdictions: to wit, whether prior public disclosure is permitted to be raised as a defense by a defendant charged with violating a confidence in business.[12]

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11. With this, compare the statement in Ellis, Trade Secrets § 211, to the effect that there are no property rights in the knowledge of mistakes to be avoided, citing *Detachable Bit Co.* v. *Timken Roller Bearing Co.*, 133 F. 2d 632 (6th Cir. 1943).

12. Compare the implication of the statement in *Carver* v. *Harr*, 132 N. J. Eq. 207, 27 A. 2d 895, 897 (Ch. 1942): "If defendants were originally under an implied obligation not to use complainants' invention for their own purposes, it was an obligation which ended when complainants, in seeking contracts, or by making deliveries, disclosed the design of their screens to a considerable number of persons," with that in *Hyde Corp.* v. *Huffines*, 158 Tex. 566, 314 S. W. 2d 763, 772 (1958): "Injunctive relief is not based upon the patent but the circumstance that the petitioner gained knowledge of such device at a time prior to its being patented through an abuse of a confidential relationship."

In the first place, the "idea and original concept" of a deliquescent dessicant air drier was conceived by Norton many years ago, and was finally patented by him in 1953, prior to the time Rapp began to work for Van. 35 U. S. C. § 112 provides that "the specifications [required to be appended to a patent application] shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains . . . to make and use the same . . ." The result of this section and the very nature of the patent publication have been consistently interpreted to work a destruction of any trade secret disclosed therein.[13] The inventor is put to his election; he can keep his secret hidden and run the risk of independent discovery by others, or he can disclose his secret to the world by Letters Patent and receive in return from the government a monopoly for 17 years.[14]

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13. *Bickley* v. *Frutchey Bean Co.*, *supra* note 6; *Kinnear-Weed Corp.* v. *Humble Oil & Refining Co.*, 150 F. Supp. 143 (E. D. Tex. 1956), aff'd 259 F. 2d 398 (5th Cir. 1958); *Darsyn Laboratories, Inc.* v. *Lenox Laboratories, Inc.*, 120 F. Supp. 42 (D. N. J. 1954), aff'd on opinion below, 217 F. 2d 648 (3d Cir. 1954); *Ferroline Corp.* v. *General Aniline & Film Corp.*, 207 F. 2d 912 (7th Cir. 1953); *Schreyer* v. *Casco Products Corp.*, 190 F. 2d 921 (2d Cir. 1951), cert. denied 342 U. S. 913 (1952); *Conmar Products Corp.* v. *Universal Slide Fastener Co., Inc.*, 172 F. 2d 150 (2d Cir. 1949); *Mycalex Corp. of America* v. *Pemco Corp.*, 159 F. 2d 907 (4th Cir. 1947); *Picard* v. *United Aircraft Corp.*, 128 F. 2d 632 (2d Cir. 1942); *Speaker* v. *Shaler Co.*, 87 F. 2d 985 (7th Cir. 1937); *Robine* v. *Apco, Inc.*, 227 F. Supp. 512 (S. D. N. Y. 1964); *Tempo Instrument, Inc.* v. *Logitek, Inc.*, *supra* note 6; *Great Lakes Carbon Corp.* v. *Continental Oil Co.*, 219 F. Supp. 468 (W. D. La. 1963); *Lyons* v. *General Motors Corp.*, 200 F. Supp. 89 (N. D. Ill. 1961); and, *Carter Products, Inc.* v. *Colgate-Palmolive Co.*, 130 F. Supp. 557 (D. Md. 1955).

14. *Jessar Manufacturing Corp.* v. *Berlin*, 380 Pa. 453, 110 A. 2d 396 (1955); *Atlas Bradford Co.* v. *Tuboscope Co.*, 378 S. W. 2d 147 (Tex. Civ. App. 1964); Dunlavey, "Protection of the Inventor Outside the Patent System," 43 Cal. L. Rev. 457 (1955); Annot., 170 A. L. R. 449 (1947); 1 Callman, *supra* note 3, § 53.3(b); and cases cited *supra* note 13.

Further, these air driers were sold on the open market and described and covered extensively in the trade literature and Van's own advertising media. And there is considerable authority[15] to the effect that public sale of the article in question or the description thereof in literature available to the public will destroy any trade secret which the inventor might have had.[16]

As above noted, there is a split of authority upon the question of the effect of public disclosure (either prior or

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15. *Pittsburgh Cut Wire Co.* v. *Sufrin, supra* note 5; *Bickley* v. *Frutchey Bean Co., supra* note 6; *Kinnear-Weed Corp.* v. *Humble Oil & Refining Co., supra* note 13; *American Gage & Manufacturing Co.* v. *Maasdam,* 245 F. 2d 62 (6th Cir. 1957); *Baum* v. *Jones & Laughlin Supply Co.,* 233 F. 2d 865 (10th Cir. 1956); *Northup* v. *Reish,* 200 F. 2d 924 (7th Cir. 1953); *Mycalex Corp. of America* v. *Pemco Corp., supra* note 13; *Sandlin* v. *Johnson,* 152 F. 2d 8 (8th Cir. 1945); *Great Lakes Carbon Corp.* v. *Continental Oil Co., supra* note 13; *Houser* v. *Snap-On Tools Corp.,* 202 F. Supp. 181 (D. Md. 1962); *Titcomb* v. *Norton Co.,* 208 F. Supp. 9 (D. Conn. 1959); *Wissman* v. *Boucher,* 105 Tex. 326, 240 S. W. 2d 278 (1951); *Carver* v. *Harr,* 132 N. J. Eq. 207, 27 A. 2d 895 (Ch. 1942); Note, "Protection and Use of Trade Secrets," 64 Harv. L. Rev. 976 (1951); and, 3 Robinson, Patents § 874 (1890). Cf. Sceales, "Company Liability for Use of an Idea," 69 Dick. L. Rev. 245 (Spring 1965). Note, too, the implication of *Sears, Roebuck & Co.* v. *Stiffel Co.,* 376 U. S. 225 (1964); *Compco Corp.* v. *Day-Brite Lighting, Inc.,* 376 U. S. 234 (1964); and, *Angell Elevator Lock Co., Inc.* v. *Manning,* 205 N. E. 2d 245 (Mass. 1965), which refuse to sanction the exact copying of an unpatented article (absent a confusion of source of manufacture). The obvious implication is that a public sale obliterates any trade secret embodied in the particular article sold.

16. It is true, however, that, regardless of the fact that an article's individual components are part of the prior art or are ascertainable by inspection of sold articles, a secret may obtain in the composite or in the process of manufacture (providing, of course, that the process itself is a secret one). See, *Sun Dial Corp.* v. *Rideout,* 16 N. J. 252, 108 A. 2d 442 (1954), and *Tabor* v. *Hoffman,* 118 N. Y. 30, 23 N. E. 12 (1889). But, in the present case there was no claim, nor does it seem possible to make out one, that there was a secret in the process of manufacture of the air drier, nor could there be any part of the composition not "in the public domain," since the entire composition was discernible by inspection of the articles sold to the public.

subsequent) of the matters alleged to be trade secrets through patent application and grant, descriptive literature, intentional disclosure, advertising and/or sale of the product embodying the secret.[17]

Smith v. *Dravo Corp.*, 203 F. 2d 369, 374 (7th Cir. 1953),[18] concluded that "Pennsylvania will not deny recovery merely because the design *could have* been obtained through inspection. Rather, the inquiry in that jurisdiction appears to be: How *did* defendant learn of plaintiffs' design?" (Emphasis in original.) In *Dravo*, the defendant was attempting to purchase plaintiffs' company, and in the course of negotiations received detailed plans, models and patent applications. Thereafter, defendant refused to buy and began competitive manufacture, which put plaintiffs out of business. The Seventh Circuit concluded, reversing the District Court's judgment for the defendant, that defendant did not obtain any of its information from the "publicity material" (which was general in nature) or from the some 100 articles (metal shipping containers) which had been publicly sold, but rather from the communications and negotiations consummated during the abortive attempt to

17. Compare authorities cited *supra*, notes 13 and 15 (public disclosure destroys secret), with *Franke* v. *Wiltschek*, 209 F. 2d 493 (2d Cir. 1953) (gross example of industrial espionage); *A. O. Smith Corp.* v. *Petroleum Iron Works Co. of Ohio*, 73 F. 2d 531 (1934), opinion modified and rehearing denied, 74 F. 2d 934 (6th Cir. 1935); *Shellmar Products Co.* v. *Allen-Qualley Co.*, 36 F. 2d 623 (7th Cir. 1929); *Kamin* v. *Kuhnau*, 232 Ore. 139, 374 P. 2d 912 (1962); *Hyde Corp.* v. *Huffines*, *supra* note 12; *K & G Oil Tool & Service Co., Inc.* v. *G & G Fishing Tool Service*, 158 Tex. 594, 314 S. W. 2d 782 (1958); *Adolph Gottscho, Inc.* v. *American Marking Corp.*, 18 N. J. 467, 114 A. 2d 438, cert. denied, 350 U. S. 834 (1955); *Vulcan Detinning Co.* v. *Assmann*, 185 App. Div. 399, 173 N. Y. S. 334 (1918); *Fairchild Engine & Airplane Corp.* v. *Cox*, *supra* note 6; Ellis, Trade Secrets §§ 25 and 65 (1953); and, McClain, Jr., "Injunctive Relief Against Employees Using Confidential Information," 23 Ky. L. J. 248 (1935).

18. Ostensibly, following diversity of citizenship and conflicts of law principles, the Court of Appeals in this case applied Pennsylvania law to the facts.

effect a sale of the company. *Pressed Steel Car Co.* v. *Standard Steel Car Co.*, 210 Pa. 464, 60 A. 4 (1904), cited as authority by the *Dravo* court, is inapplicable to the present case, as it was to *Dravo*, for there the sole question was whether blue prints given by plaintiff's customers (who had received them from plaintiff initially) to defendant, plaintiff's competitor, in violation of a duty of confidence were required to be returned. No competition was enjoined. We feel that the authorities holding that public disclosures destroy plaintiff's right to maintain a cause of action to preserve his trade "secret" as against a competing former-employee who has violated a duty of confidence are more sound in theory and practice than those continuing to look to the relationship of the parties as a basis for the action. While recognizing that limited publication and experimental usages are not incompatible with secrecy, we feel that the wide-spread publication and advertising in this case and the public sale of the air driers destroyed Van's right to maintain a cause of action upon a breach of duty not to disclose its "trade secrets." The starting point in every case of this sort is not whether there was a confidential relationship,[19] but whether, in fact, there was a trade secret to be misappropriated: *National Starch Products, Inc.* v. *Polymer Industries, Inc.*, 273 App. Div. 732, 79 N. Y. S. 2d 357 (1948).

One final item was listed by the court below as a trade secret (14I): "The secret of the desiccant, namely the impregnation of a soluble pellet holding material with other hydroscopic materials." However, this is in direct contradiction to the following discussion in the court's opinion: "... [A]t no time was the secret formula of Norton's desiccant ... ever revealed to [Rapp]. This was a secret of the highest order ... [Rapp] never did secure [the exact chem-

19. *E. I. DuPont de Nemours Powder Co.* v. *Masland*, 244 U. S. 100 (1917).

ical formula] . . .'' Printed record, pp. 1858a-1859a. Of course, the idea and the practical functioning of such a deliquescent desiccant could not be a secret, in itself, since the product was advertised, described, and sold on the open market. Its remarkable characteristics, vaunted in sales literature, were the exact factor which made the Van drier desirable (*i.e.*, it was a desiccant which did not require regeneration). Therefore, it was only the composition which was secret, and remained so after Rapp's departure. It was only Rapp's industriousness which enabled him to come up with an acceptable formula for a desiccant to use in the drier which he was privileged to construct. And the United States Patent Office recognized his inventiveness by issuing him Letters Patent on his desiccant. Furthermore, the trial court did not rule upon the prayer to require assignment of the Rapp patent to Van, from which failure Van did not appeal. We therefore decline comment on the question.

We do not consider the result herein reached as harsh or out of tune with accepted commercial morality as it may, at first blush, appear. Van has either sold its secret to the public or has traded it, through its agent, Norton, to the public for a 17 year monopoly. We are statutorily[20] declared to be unqualified to determine whether General's drier is infringing upon Norton's patent, and any relief thereupon must come from the federal court system which has exclusive jurisdiction of such questions.

Decree reversed. Each party to pay own costs.

Mr. Chief Justice Bell dissents.

Mr. Justice Roberts did not participate in this case.

Mr. Justice Cohen files a Concurring Opinion.

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20. 28 U. S. C. § 1338(a).

CONCURRING OPINION.

Filed: October 13, 1965.

COHEN, *J.*

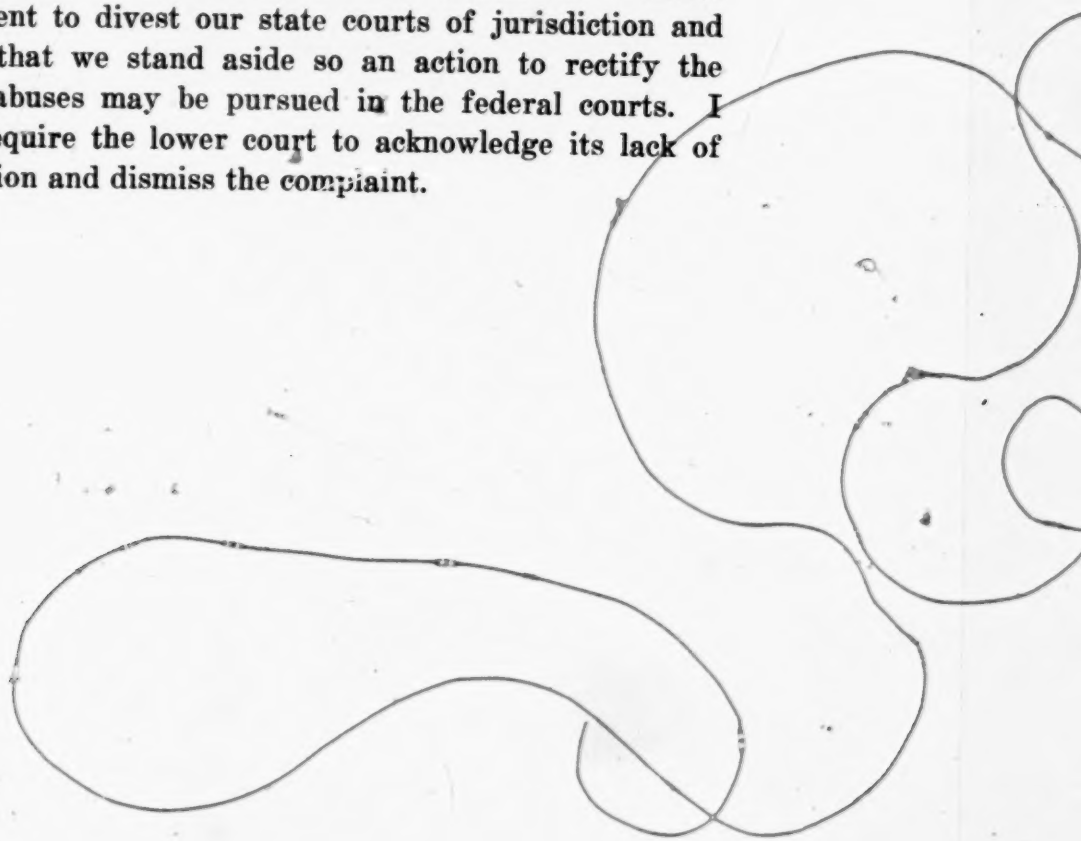
While I need not reach the merits of this litigation, I concur in and join with the majority of this Court in its determination and result.

I have great difficulty in concluding from the evidence that there were trade secrets and that the plaintiff-appellee met the burden imposed upon it to maintain substantial secrecy in the protection of the alleged trade secrets.

But I need reach no conclusion on the merits because I find that the lower court lacked jurisdiction to enjoin the appellants from making, manufacturing and selling their patented desiccant and dryer. Relief may not be granted in this case because of the inextricable involvement of the alleged trade secrets with plaintiff's and defendant's patents thereby creating a possibility of conflict between state concepts of unfair competition and the uniform application of the patent law and patent policy. This field has been occupied exclusively by the Federal Patent Law. Two recent landmark cases—*Sears, Roebuck & Co.* v. *Stiffel Co.*, 376 U. S. 225 (1964) and *Compco Corp.* v. *Day-Brite Lighting, Inc.*, 376 U. S. 234 (1964), clearly determine that the field has been pre-empted by the Federal Patent Law and that the state law of unfair competition is in conflict with the patent law and in the interest of uniformity and unburdened competition relief by way of damages or injunction based on the state law of unfair competition may not be allowed

Were we to allow relief in this case we would be encroaching upon the Federal Patent Law and giving protection of

a kind that clashes with the objectives of the law. Further, we would be doing these things under our state concept of unfair competition which the United States Supreme Court specifically said may not be done. We can neither extend the life of a patent nor have we the power to restrict its use even though the patent was obtained as a result of fraud and misrepresentation. Appellee recognized, as it did in its counter-statement of questions involved, that some aspects of the alleged secrets appropriated by appellants might be the subject of a suit against appellants in the United States courts for infringement. The fact that the possibility of this federal action exists is sufficient to divest our state courts of jurisdiction and require that we stand aside so an action to rectify the alleged abuses may be pursued in the federal courts. I would require the lower court to acknowledge its lack of jurisdiction and dismiss the complaint.



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No. 641

In the
Supreme Court of the United States

OCTOBER TERM, 1965.

AUTOMATION DEVICES, INC.,
Petitioner,

vs.

EDWARD A. SMALENBERGER, JR., individually and doing business as AUTOMATIC FEEDER COMPANY,
Respondent.

PETITIONER'S REPLY BRIEF SUPPORTING PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

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The Scheffer Press, Inc.—ANdover 3-6850

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REPLY

Introduction

No attempt will be made to reply to respondent's arguments. They all go to the merits of the case and overlook the importance of the issue. It should be remarked, however, that respondent's detailed recitation of the facts presumes this case was tried. It was not.

Since filing the original Petition the importance of the issue is now highlighted by a direct conflict between the Illinois Supreme Court and the Pennsylvania Supreme Court.

NEW REASONS FOR GRANTING THE PETITION

A Conflict in the Law Has Arisen Between Illinois and Pennsylvania

In the original petition filed October 4, 1965, the decisions of the Illinois Supreme Court in *Schulenberg* v. *Signatrol* were printed. The Illinois Court reversed itself five days before the Petition was filed. It held that a trade secret could be protected even when its appropriation was embodied in unpatented products distinguishing *Compco* and *Daybrite*. Nine days after the Petition was filed, the Pennsylvania Supreme Court held the opposite on almost identical if not more compelling facts. The opinion of the Pennsylvania Supreme Court in *Van Products Company* v. *General Welding* is printed in full in the Respondent's brief. Coincidentally, the Petitioner is a Pennsylvania resident and Respondent of Illinois. If the case is tried, which law should be followed?

This Court's attention is particularly directed to the concurring opinion in the Pennsylvania Supreme Court's decision. One jurist was convinced that any related controversy having a patent issue between the parties robbed the State courts of jurisdiction in trade secret cases. *Sears* and *Compco* were relied on to reach this result. Must all cases claiming trade secrecy be tried in the Federal Courts? Only this Court can rule with finality.

Injunctive Relief May Conflict with the Anti-Trust Laws

Only this Court can ultimately approve the type of relief to be granted if a violation of a trade secret is found. Should an injunction, limiting competition, be sanctioned when it conflicts with the purpose of the Anti-Trust Laws? Or should this Court adopt a formula for damages, and rule out injunctive relief as in conflict with the Anti-Trust Laws?

This Court's Opportunity to Unify the Law

(1) This Court can take the present case where the stipulated fact is simple, and announce the law logically, reconcile the inconsistencies, and point the way for a uniformity of future decisions and orderly administration of justice.

(2) It may be some time before this Court again has a case presented to it which has not been tried, and in which the stipulated fact is as basic as in the case at bar. This Court can now clearly establish the ground rules to be followed in the future. If it waits, the situation may be hopelessly confused, with 50 different State Supreme Courts conflicting each with the other, and with their own concurrent federal courts. Which will follow Illinois? Which will follow Pennsylvania?

CONCLUSION.

The conclusion is inescapable. The issue is timely. The issue is of national importance. The issue can best be resolved by granting certiorari in this case where a complicated factual background cannot cloud the decision.

The writ prayed should issue.

Respectfully submitted,

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